

CF Industries Holdings, Inc.
Form 10-Q
November 05, 2013

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from _____ to _____

Commission file number 001-32597

CF INDUSTRIES HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2697511

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

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

(Address of principal executive offices)

60015

(Zip Code)

(847) 405-2400

(Registrant's telephone number, including area code)

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

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

57,312,668 shares of the registrant's common stock, \$0.01 par value per share, were outstanding at October 31, 2013.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

TABLE OF CONTENTS

PART I. Financial Information

<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>	
	<u>Consolidated Statements of Operations</u>	<u>1</u>
	<u>Consolidated Statements of Comprehensive Income</u>	<u>2</u>
	<u>Consolidated Balance Sheets</u>	<u>3</u>
	<u>Consolidated Statements of Equity</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>45</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>72</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>73</u>

PART II. Other Information

<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>74</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>74</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>74</u>

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,		Nine months ended September 30,	
	2013	2012	2013	2012
	(in millions, except per share amounts)			
Net sales	\$ 1,097.0	\$ 1,359.4	\$ 4,148.4	\$ 4,622.6
Cost of sales	710.9	657.4	2,222.0	2,165.5
Gross margin	386.1	702.0	1,926.4	2,457.1
Selling, general and administrative expenses	32.2	36.5	121.0	111.6
Other operating net	(20.3)	8.6	(9.2)	41.7
Total other operating costs and expenses	11.9	45.1	111.8	153.3
Equity in earnings of operating affiliates	11.2	10.2	32.3	39.5
Operating earnings	385.4	667.1	1,846.9	2,343.3
Interest expense	41.0	28.7	112.4	104.9
Interest income	(1.0)	(1.6)	(4.1)	(2.0)
Other non-operating net	(0.3)	(0.2)	54.1	(0.9)
Earnings before income taxes and equity in earnings of non-operating affiliates	345.7	640.2	1,684.5	2,241.3
Income tax provision	109.0	206.0	499.3	722.0
Equity in earnings of non-operating affiliates net of taxes	7.2	23.9	6.2	48.8
Net earnings	243.9	458.1	1,191.4	1,568.1
Less: Net earnings attributable to noncontrolling interest	9.8	54.8	52.6	190.1
Net earnings attributable to common stockholders	\$ 234.1	\$ 403.3	\$ 1,138.8	\$ 1,378.0
Net earnings per share attributable to common stockholders:				
Basic	\$ 4.09	\$ 6.43	\$ 19.12	\$ 21.47
Diluted	\$ 4.07	\$ 6.35	\$ 19.01	\$ 21.19
Weighted average common shares outstanding:				
Basic	57.3	62.8	59.6	64.2
Diluted	57.5	63.5	59.9	65.0
Dividends declared per common share	\$ 0.40	\$ 0.40	\$ 1.20	\$ 1.20

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,	
	2013	2012	2013	2012
	(in millions)			
Net earnings	\$ 243.9	\$ 458.1	\$ 1,191.4	\$ 1,568.1
Other comprehensive income (loss):				
Foreign currency translation adjustment net of taxes	39.5	27.8	(28.7)	48.4
Unrealized gain (loss) on hedging derivatives net of taxes	3.9		(0.3)	
Unrealized (loss) gain on securities net of taxes	(0.3)	1.1	0.3	1.5
Defined benefit plans net of taxes	(0.4)	9.3	5.0	12.5
	42.7	38.2	(23.7)	62.4
Comprehensive income	286.6	496.3	1,167.7	1,630.5
Less: Comprehensive income attributable to the noncontrolling interest	9.8	55.7	51.9	191.1
Comprehensive income attributable to common stockholders	\$ 276.8	\$ 440.6	\$ 1,115.8	\$ 1,439.4

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	September 30, 2013	December 31, 2012
	(in millions, except share and per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,286.2	\$ 2,274.9
Restricted cash	111.4	
Accounts receivable net	186.9	217.4
Inventories net	357.4	277.9
Prepaid income taxes	35.8	
Deferred income taxes	44.1	9.5
Other	37.9	27.9
Total current assets	3,059.7	2,807.6
Property, plant and equipment, net of accumulated depreciation, depletion and amortization of \$2,995.7 and \$2,757.1, respectively	4,250.0	3,900.5
Asset retirement obligation funds	200.8	200.8
Investments in and advances to affiliates	931.8	935.6
Goodwill	2,064.5	2,064.5
Other assets	292.2	257.9
Total assets	\$ 10,799.0	\$ 10,166.9
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 466.9	\$ 366.5
Income taxes payable	3.6	187.1
Customer advances	433.3	380.7
Notes payable		5.0
Distributions payable to noncontrolling interest		5.3
Other	9.1	5.6
Total current liabilities	912.9	950.2
Long-term debt	3,098.0	1,600.0
Deferred income taxes	870.1	938.8
Other noncurrent liabilities	456.0	395.7
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, 2013 59,327,573 shares issued and 2012 62,961,628 shares issued	0.6	0.6
Paid-in capital	1,659.0	2,492.4
Retained earnings	3,880.6	3,461.1
Treasury stock at cost, 2013 2,018,950 shares and 2012 10,940 shares	(361.7)	(2.3)
Accumulated other comprehensive loss	(72.6)	(49.6)
Total stockholders' equity	5,105.9	5,902.2
Noncontrolling interest	356.1	380.0
Total equity	5,462.0	6,282.2

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Total liabilities and equity	\$	10,799.0	\$	10,166.9
------------------------------	----	----------	----	----------

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, 2011	\$ 0.7	\$ (1,000.2)	\$ 2,804.8	\$ 2,841.0	\$ (99.3)	\$ 4,547.0	\$ 385.9	\$ 4,932.9
Net earnings				1,378.0		1,378.0	190.1	1,568.1
Other comprehensive income								
Foreign currency translation adjustment net of taxes					47.4	47.4	1.0	48.4
Unrealized gain on securities net of taxes					1.5	1.5		1.5
Defined benefit plans net of taxes					12.5	12.5		12.5
Comprehensive income						1,439.4	191.1	1,630.5
Purchase of treasury stock		(500.0)				(500.0)		(500.0)
Acquisition of treasury stock under employee stock plans		(2.3)				(2.3)		(2.3)
Retirement of treasury stock	(0.1)	1,500.2	(374.2)	(1,125.9)				
Issuance of \$0.01 par value common stock under employee stock plans			12.6			12.6		12.6
Stock-based compensation expense			8.0			8.0		8.0
Excess tax benefit from stock-based compensation			30.0			30.0		30.0
Cash dividends (\$1.20 per share)				(77.4)		(77.4)		(77.4)
Declaration of distribution payable							(58.8)	(58.8)
Effect of exchange rates changes							2.6	2.6
Balance at September 30, 2012	\$ 0.6	\$ (2.3)	\$ 2,481.2	\$ 3,015.7	\$ (37.9)	\$ 5,457.3	\$ 520.8	\$ 5,978.1
Balance at December 31, 2012	\$ 0.6	\$ (2.3)	\$ 2,492.4	\$ 3,461.1	\$ (49.6)	\$ 5,902.2	\$ 380.0	\$ 6,282.2
Net earnings				1,138.8		1,138.8	52.6	1,191.4
Other comprehensive income								
Foreign currency translation adjustment net of taxes					(28.0)	(28.0)	(0.7)	(28.7)
Unrealized loss on hedging derivatives net of taxes					(0.3)	(0.3)		(0.3)
Unrealized gain on securities net of taxes					0.3	0.3		0.3
Defined benefit plans net of taxes					5.0	5.0		5.0
Comprehensive income						1,115.8	51.9	1,167.7
Acquisitions of noncontrolling interests in CFL			(752.5)			(752.5)	(16.8)	(769.3)
Acquisition of treasury stock under employee stock plans		(3.2)				(3.2)		(3.2)
Purchases of treasury stock		(1,111.5)				(1,111.5)		(1,111.5)
Retirement of treasury stock		750.1	(106.3)	(643.8)				
Issuance of \$0.01 par value common stock under employee stock plans		5.2	4.7	(3.6)		6.3		6.3
Stock-based compensation expense			9.3			9.3		9.3
Excess tax benefit from stock-based compensation			11.4			11.4		11.4
Cash dividends (\$1.20 per share)				(71.9)		(71.9)		(71.9)

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Declaration of distribution payable								(59.1)	(59.1)							
Effect of exchange rates changes								0.1	0.1							
Balance at September 30, 2013	\$	0.6	\$	(361.7)	\$	1,659.0	\$	3,880.6	\$	(72.6)	\$	5,105.9	\$	356.1	\$	5,462.0

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,	
	2013	2012
	(in millions)	
Operating Activities:		
Net earnings	\$ 1,191.4	\$ 1,568.1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	313.8	318.7
Deferred income taxes	35.8	32.8
Stock compensation expense	9.5	8.8
Excess tax benefit from stock-based compensation	(11.4)	(30.0)
Unrealized gain on derivatives	(4.0)	(61.5)
Loss on disposal of property, plant and equipment	5.0	4.0
Undistributed earnings of affiliates net	(12.9)	(59.0)
Changes in:		
Accounts receivable	44.6	(67.8)
Margin deposits		0.8
Inventories	(86.3)	3.2
Accrued income taxes	(232.7)	(200.1)
Accounts payable and accrued expenses	69.4	64.0
Customer advances net	52.5	360.1
Other net	54.6	12.2
Net cash provided by operating activities	1,429.3	1,954.3
Investing Activities:		
Additions to property, plant and equipment	(632.9)	(261.4)
Proceeds from the sale of property, plant and equipment	11.1	11.6
Sales and maturities of short-term and auction rate securities	6.6	31.0
Deposits to restricted cash funds	(111.4)	
Deposits to asset retirement obligation funds		(2.2)
Other net	(4.3)	
Net cash used in investing activities	(730.9)	(221.0)
Financing Activities:		
Proceeds from long-term borrowings	1,498.0	
Payments of long-term debt		(13.0)
Advances from unconsolidated affiliates		40.5
Financing fees	(14.5)	
Dividends paid on common stock	(71.9)	(77.4)
Distributions to noncontrolling interests	(64.4)	(212.8)
Purchase of treasury stock	(1,111.5)	(500.0)
Acquisitions of noncontrolling interests in CFL	(918.7)	
Issuances of common stock under employee stock plans	6.3	12.6
Excess tax benefit from stock-based compensation	11.4	30.0
Net cash used in financing activities	(665.3)	(720.1)
Effect of exchange rate changes on cash and cash equivalents	(21.8)	1.1

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Increase in cash and cash equivalents	11.3	1,014.3
Cash and cash equivalents at beginning of period	2,274.9	1,207.0
Cash and cash equivalents at end of period	\$ 2,286.2	\$ 2,221.3

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

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

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

On October 28, 2013, we announced that we had entered into a set of strategic agreements with The Mosaic Company (Mosaic) to sell our phosphate mining and manufacturing business and additional long-term supply agreements to provide ammonia to Mosaic. Further information regarding these agreements is contained in Note 21—Subsequent Events.

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, 2012, 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 disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Operating results for any period presented apply to that period only and are not necessarily indicative of results for any future period.

These statements should be read in conjunction with our audited consolidated financial statements and related disclosures included in our 2012 Annual Report on Form 10-K filed with the SEC on February 27, 2013.

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.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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

2. Summary of Significant Accounting Policies

For a complete discussion of the Company's significant accounting policies, refer to our 2012 Annual Report on Form 10-K filed with the SEC on February 27, 2013.

3. New Accounting Standards

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

Recently Adopted Pronouncements

In December 2011, the FASB issued a standard pertaining to disclosures about offsetting assets and liabilities (ASU No. 2011-11). This standard requires an entity to disclose information about offsetting and related arrangements, including financial instruments and derivative instruments, and the effect these arrangements have on the entity's financial position. In January 2013, the FASB issued an amendment to ASU No. 2011-11 (ASU No. 2013-01) clarifying that its scope applies to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. These standards are effective for disclosures in interim and annual reporting periods beginning on or after January 1, 2013. We adopted this standard in the first quarter of 2013 and its adoption did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued a standard pertaining to the reporting of amounts reclassified out of accumulated other comprehensive income (AOCI) (ASU No. 2013-02). The standard requires that an entity provide, by component, information regarding the amounts reclassified out of AOCI, either on the face of the statement of operations or in the notes, and an indication as to the line items in the statement of operations that the amounts were reclassified to. In addition, in certain cases, an entity is required to cross-reference to other disclosures that provide additional details about the reclassified amounts. This standard is effective prospectively for reporting periods beginning after December 15, 2012. We adopted this standard in the first quarter of 2013 and its adoption did not have a material impact on our consolidated financial statements.

4. Noncontrolling Interests

Canadian Fertilizers Limited (CFL)

CFL owns a nitrogen fertilizer complex in Medicine Hat, Alberta, Canada, which until April 30, 2013, supplied fertilizer products to CF Industries, Inc. (CF Industries) and Viterra Inc. (Viterra). The Medicine Hat complex is the largest nitrogen fertilizer complex in Canada, with two world-scale ammonia plants, a world-scale granular urea plant and on-site storage facilities for both ammonia and urea.

Prior to April 30, 2013, CF Industries owned 49% of the voting common shares and 66% of the non-voting preferred shares of CFL and purchased 66% of the production of CFL. Also prior to April 30, 2013, Viterra, Inc. (Viterra) held 34% of the equity ownership of CFL, and had the right to

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

purchase up to the remaining 34% of CFL's production. Both CF Industries and Viterra were entitled to receive distributions of net earnings of CFL based upon their respective purchases from CFL. The remaining 17% of the voting common shares were owned by GROWMARK, Inc. and La Coop fédérée. CFL was a variable interest entity that was consolidated in the Company's financial statements.

In 2012, the Company entered into agreements to acquire the noncontrolling interests in CFL for C\$0.9 billion, which included 34% of CFL's common and preferred shares owned by Viterra, the product purchase agreement between CFL and Viterra and the CFL common shares held by GROWMARK, Inc. and La Coop fédérée. In April 2013, we completed the acquisitions. Since CFL was previously a consolidated variable interest entity, the purchase price was recognized as follows: a \$0.8 billion reduction in paid in capital; a \$0.1 billion deferred tax asset; and the removal of the CFL noncontrolling interest. CFL is now a wholly owned subsidiary and we purchase 100% of CFL's ammonia and granular urea production.

CF Industries' and Viterra's purchases of nitrogen fertilizer products from CFL were made under product purchase agreements, and the selling prices were determined under the provisions of these agreements. Prior to the fourth quarter of 2012 an initial selling price was paid to CFL based upon CFL's production cost plus an agreed-upon margin once title passed as the product was shipped. At the end of the year, the difference between the market price of products purchased from CFL and the price based on production cost plus the agreed-upon margin was paid to CFL. The sales revenue attributable to this difference was accrued by the Company on an interim basis.

In the fourth quarter of 2012, the CFL Board of Directors approved amendments to the product purchase agreements retroactive to January 1, 2012 that modified the selling prices that CFL charged for products sold to Viterra and CF Industries to eliminate the requirement to pay to CFL the difference between the market price and the price based on production cost plus an agreed-upon margin. The effect of the selling price amendments to the product purchase agreements impacts the comparability of the Company's financial results. These changes impact the year-over-year comparability of net sales, gross margin, operating earnings, earnings before income taxes and net earnings attributable to noncontrolling interest for the first four months of 2013, but do not impact the comparability of the Company's net earnings attributable to common stockholders or net cash flows for the same period.

At September 30, 2013 and December 31, 2012, the net receivables due from Viterra related to the product purchases that were reflected on our consolidated balance sheets were zero and \$2.0 million, respectively. The net earnings attributable to Viterra that are reported on the consolidated balance sheets in the line titled distributions payable to noncontrolling interest at September 30, 2013 and December 31, 2012 were zero and \$5.3 million, respectively.

Terra Nitrogen Company, L.P. (TNCLP)

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

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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

In each of the applicable quarters of 2013 and 2012, the minimum quarterly distributions were satisfied, which entitled us, as the general partner, to receive increased distributions on our general partner interests as provided for in the Agreement of Limited Partnership. The earnings attributed to our general partner interest in excess of the threshold levels for the nine months ended September 30, 2013 and 2012, were \$158.3 million and \$172.3 million, respectively.

At September 30, 2013, Terra Nitrogen GP Inc. (TNGP), the general partner of TNCLP (and an indirect wholly-owned subsidiary of CF Industries), and its affiliates owned 75.3% of TNCLP's outstanding units. When not more than 25% of TNCLP's issued and outstanding units are held by non-affiliates of TNGP, TNCLP, at TNGP's sole discretion, may call, or assign to TNGP or its affiliates, TNCLP's right to acquire all such outstanding units held by non-affiliated persons. If TNGP elects to acquire all outstanding units, TNCLP is required to give at least 30 but not more than 60 days notice of TNCLP's decision to purchase the outstanding units. The purchase price per unit will be the greater of (1) the average of the previous 20 trading days' closing prices as of the date five days before the purchase is announced or (2) the highest price paid by TNGP or any of its affiliates for any unit within the 90 days preceding the date the purchase is announced.

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

	Nine months ended September 30,					
	2013			2012		
	CFL	TNCLP	Total	CFL	TNCLP	Total
	(in millions)					
Noncontrolling interest:						
Beginning balance	\$ 17.4	\$ 362.6	\$ 380.0	\$ 16.7	\$ 369.2	\$ 385.9
Earnings attributable to noncontrolling interest	2.3	50.3	52.6	137.6	52.5	190.1
Declaration of distributions payable	(2.3)	(56.8)	(59.1)		(58.8)	(58.8)
Acquisitions of noncontrolling interests in CFL	(16.8)		(16.8)			
Effect of exchange rate changes	(0.6)		(0.6)	3.6		3.6
Ending balance	\$	\$ 356.1	\$ 356.1	\$ 157.9	\$ 362.9	\$ 520.8
Distributions payable to noncontrolling interest:						
Beginning balance	\$ 5.3	\$	\$ 5.3	\$ 149.7	\$	\$ 149.7
Declaration of distributions payable	2.3	56.8	59.1		58.8	58.8
Distributions to noncontrolling interest	(7.5)	(56.8)	(64.3)	(154.0)	(58.8)	(212.8)
Effect of exchange rate changes	(0.1)		(0.1)	4.3		4.3
Ending balance	\$	\$	\$	\$	\$	\$

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****5. Fair Value Measurements**

Our cash and cash equivalents and other investments consist of the following:

	Adjusted Cost	September 30, 2013		Fair Value
		Unrealized Gains	Unrealized Losses	
(in millions)				
Cash	\$ 79.8	\$	\$	\$ 79.8
U.S. and Canadian government obligations	2,157.1			2,157.1
Other debt securities	49.3			49.3
Total cash and cash equivalents	\$ 2,286.2	\$	\$	\$ 2,286.2
Restricted cash	111.4			111.4
Asset retirement obligation funds	200.8			200.8

	Adjusted Cost	December 31, 2012		Fair Value
		Unrealized Gains	Unrealized Losses	
(in millions)				
Cash	\$ 106.0	\$	\$	\$ 106.0
U.S. and Canadian government obligations	1,996.9			1,996.9
Other debt securities	172.0			172.0
Total cash and cash equivalents	\$ 2,274.9	\$	\$	\$ 2,274.9
Investments in auction rate securities	27.3		(1.3)	26.0
Asset retirement obligation funds	200.8			200.8
Nonqualified employee benefit trusts	21.2	0.8		22.0

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

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present assets and liabilities included in our consolidated balance sheets at September 30, 2013 and December 31, 2012 that are recognized at fair value on a recurring basis, and indicates the fair value hierarchy utilized to determine such fair value:

	Total Fair Value	September 30, 2013		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in millions)				
Cash and cash equivalents	\$ 2,286.2	\$ 2,286.2	\$	\$
Restricted cash	111.4	111.4		
Unrealized gains on derivative instruments	24.2		24.2	
Asset retirement obligation funds	200.8	200.8		
Total assets at fair value	\$ 2,622.6	\$ 2,598.4	\$ 24.2	\$
Unrealized losses on derivative instruments	\$ 9.0		\$ 9.0	\$
Total liabilities at fair value	\$ 9.0		\$ 9.0	\$

	Total Fair Value	December 31, 2012		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in millions)				
Cash and cash equivalents	\$ 2,274.9	\$ 2,274.9	\$	\$
Unrealized gains on derivative instruments	17.3		17.3	
Asset retirement obligation funds	200.8	200.8		
Investments in auction rate securities	26.0			26.0
Nonqualified employee benefit trusts	22.0	22.0		
Total assets at fair value	\$ 2,541.0	\$ 2,497.7	\$ 17.3	\$ 26.0
Unrealized losses on derivative instruments	\$ 5.6		\$ 5.6	\$
Total liabilities at fair value	\$ 5.6		\$ 5.6	\$

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

Cash and Cash Equivalents

At September 30, 2013 and December 31, 2012, our cash and cash equivalents consisted primarily of U.S. and Canadian government obligations and money market mutual funds that invest in U.S. government obligations and other investment-grade securities.

Restricted Cash

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

We have contracted for engineering and procurement services with an affiliate of ThyssenKrupp Uhde (Uhde) for our capacity expansion projects at our Donaldsonville, Louisiana and Port Neal, Iowa production facilities. Under the terms of the engineering and procurement services contract, we are

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

required to grant Uhde a security interest in a restricted cash account and maintain a cash balance in that account equal to the cancellation fees for procurement services and equipment that would arise if we were to cancel the projects. We began funding the restricted account in the second quarter of 2013. The balance in the account is expected to change over time based on the amounts of unpaid engineering and procurement costs.

Derivative Instruments

The derivative instruments that we use are primarily natural gas call options, fixed price swaps, and foreign currency forward contracts traded in the over-the-counter markets with either large oil and gas companies or large financial institutions. The natural gas derivatives are traded in months forward and settlements are scheduled to coincide with anticipated gas purchases during those future periods. The foreign currency derivative contracts held are for the exchange of a specified notional amount of currencies at specified future dates coinciding with anticipated foreign currency cash outflows associated with our Donaldsonville, LA and Port Neal, IA capital expansion projects. The natural gas derivative contracts settle using NYMEX futures prices. To determine the fair value of these instruments, we use quoted market prices from NYMEX and standard pricing models with inputs derived from or corroborated by observable market data such as forward curves supplied by an industry recognized unrelated third party. The currency derivatives are valued based on quoted market prices supplied by an industry recognized, unrelated third party. See Note 15 Derivative Financial Instruments, for additional information.

Asset Retirement Obligation Funds

In order to meet financial assurance requirements associated with certain Asset Retirement Obligations (AROs) in Florida, we maintain investments in an escrow account established for the benefit of the Florida Department of Environmental Protection (FDEP) and a trust established to comply with a 2010 Consent Decree with the U.S. Environmental Protection Agency (EPA) and the FDEP. The investments in the trust and escrow account are accounted for as available-for-sale securities. The fair values of these investments are based upon daily quoted prices representing the Net Asset Value (NAV) of the investments. See Note 7 Asset Retirement Obligations, for additional information regarding the trust and escrow accounts. The fair values of the ARO funds approximate their cost basis.

Investments in Auction Rate Securities

Our investments in Auction Rate Securities (ARS) are accounted for as available-for-sale securities and are included on our consolidated balance sheets in other assets. At September 30, 2013, our ARS are not material to our consolidated balance sheet.

Nonqualified Employee Benefit Trusts

We maintain trusts associated with certain deferred compensation related to nonqualified employee benefits. The investments are accounted for as available-for-sale securities. The fair values of the trusts are based on daily quoted prices representing the NAV of the investments. These trusts are included on our consolidated balance sheets in other assets. At September 30, 2013, our nonqualified employee benefit trusts are not material to our consolidated balance sheet.

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

Net earnings per share were computed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	(in millions, except per share amounts)			
Net earnings attributable to common stockholders	\$ 234.1	\$ 403.3	\$ 1,138.8	\$ 1,378.0
Basic earnings per common share:				
Weighted average common shares outstanding	57.3	62.8	59.6	64.2
Net earnings attributable to common stockholders	\$ 4.09	\$ 6.43	\$ 19.12	\$ 21.47
Diluted earnings per common share:				
Weighted average common shares outstanding	57.3	62.8	59.6	64.2
Dilutive common shares stock options	0.2	0.7	0.3	0.8
Diluted weighted average shares outstanding	57.5	63.5	59.9	65.0
Net earnings attributable to common stockholders	\$ 4.07	\$ 6.35	\$ 19.01	\$ 21.19

In the computation of diluted net earnings per common share, potentially dilutive stock options are excluded if the effect of their inclusion is anti-dilutive. For the three and nine months ended September 30, 2013 and 2012, anti-dilutive stock options were insignificant.

7. 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, 2012 to September 30, 2013 are summarized below:

	(in millions)
Obligation at December 31, 2012	\$ 145.0
Accretion expense	7.8
Liabilities incurred	1.1
Expenditures	(3.6)
Changes in estimate	7.8
Obligation at September 30, 2013	\$ 158.1

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 system 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. Closure expenditures for the Bartow cooling pond are estimated to occur through 2016. Closure expenditures for the Plant City stack expansion are estimated to occur in

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

the 2033 to 2037 time frame and closure of the Plant City cooling pond is assumed to occur in the year 2087. Additional AROs may be incurred in the future.

The \$7.8 million change in estimate in 2013 relates primarily to changes in mining and reclamation plans in the third quarter at our Hardee County, Florida phosphate rock mine. Of this amount, \$7.5 million was recorded as an increase in property, plant and equipment and \$0.3 million was charged to cost of sales.

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

	September 30, 2013	December 31, 2012
	(in millions)	
Current portion	\$ 9.4	\$ 12.3
Noncurrent portion	148.7	132.7
	\$ 158.1	\$ 145.0

In addition to various operational and environmental regulations related to our phosphate segment, we are also subject to financial assurance obligations related to the closure and maintenance of our phosphogypsum stack systems at both our Plant City, Florida phosphate fertilizer complex and our closed Bartow, Florida phosphate fertilizer complex. These financial assurance obligations result from two requirements. The first is a 2010 consent decree with the EPA and the FDEP with respect to our compliance with the Resource Conservation and Recovery Act (RCRA) at our Plant City complex (the Plant City Consent Decree). The second is State of Florida financial assurance regulations (Florida Financial Assurance) that apply to both our Plant City and Bartow complexes. Both of these regulations allow the use of a funding mechanism as a means of complying with the financial assurance requirements associated with the closure, long-term maintenance, and monitoring costs for the phosphogypsum stacks, as well as costs incurred to manage the water contained in the stack system upon closure. We maintain a trust account for the benefit of the EPA and FDEP and an escrow account for the benefit of the FDEP to meet these financial assurance requirements. On our consolidated balance sheets, these are collectively referred to as "Asset retirement obligation funds" (ARO funds). The trust for the Plant City Consent Decree is fully funded, and we expect to fund the remaining approximately \$4.0 million in the State of Florida Financial Assurance escrow account near the end of 2015. Both financial assurance funding obligations require estimates of future expenditures that could be impacted by refinements in scope, technological developments, cost inflation, changes in regulations, discount rates and the timing of activities. Additional funding would be required in the future if increases in cost estimates exceed investment earnings in the trust or escrow accounts. At both September 30, 2013 and December 31, 2012, the balance in the ARO funds was \$200.8 million.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****8. Interest Expense**

Details of interest expense are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Interest on borrowings	\$ 43.8	\$ 28.0	\$ 106.8	\$ 84.1
Fees on financing agreements	3.9	3.3	11.4	28.4
Interest on tax liabilities	0.5		12.2	1.0
Interest capitalized and other	(7.2)	(2.6)	(18.0)	(8.6)
	\$ 41.0	\$ 28.7	\$ 112.4	\$ 104.9

9. Income Taxes

Our income tax provision for the three months ended September 30, 2013 was \$109.0 million on pre-tax income of \$345.7 million, or an effective tax rate of 31.5%, compared to an income tax provision of \$206.0 million, or an effective tax rate of 32.2% for the three months ended September 30, 2012. Our effective tax rate is lower for the three months ended September 30, 2013 primarily due to a change in the method of calculating percentage depletion for income tax purposes. This is partially offset by the tax impact arising from the acquisition of the noncontrolling interests in CFL.

Our effective tax rate based on pre-tax earnings differs from our effective tax rate based on pre-tax income exclusive of noncontrolling interest, as our consolidated income tax provision does not include a tax provision on the earnings attributable to controlling interests in TNCLP, which does not record an income tax provision.

At the time of our Initial Public Offering (IPO) in 2005, we had accumulated a substantial amount of NOLs. Due to the uncertainty of realizing the tax benefit from the NOLs when we ceased to be a non-exempt cooperative for income tax purposes when we became a public company, a full valuation allowance was recorded against those NOLs. At that time, we entered into an agreement (NOL Agreement) with the pre-IPO owners under which they would benefit should any of the pre-IPO NOLs be realized in future years by our using the NOLs to offset post-IPO taxable income. If this were to occur, we would pay the pre-IPO owners amounts equal to the resulting federal and state income taxes actually saved. At December 31, 2012, the NOLs had a potential tax benefit of \$94.3 million, which had been fully reserved by the valuation allowance. In January 2013, we and the pre-IPO owners amended the NOL Agreement to provide, among other things, that we would be entitled to retain 26.9% of any settlement realized.

In March 2013, we entered into a Closing Agreement with the IRS to resolve the tax treatment of the pre-IPO NOLs. Pursuant to the Closing Agreement, we have agreed with the IRS that we will be entitled to a tax deduction equal to a portion of the NOLs over five years commencing with the 2012 tax year. Under the terms of the amended NOL Agreement, 73.1% of the federal and state tax savings will be payable to our pre-IPO owners. As a result of the Closing Agreement, we recorded a liability of \$55.2 million to recognize the tax savings from the IRS settlement that will be payable to our pre-IPO owners under the terms of the NOL Agreement. In our consolidated statement of operations for the nine months ended September 30, 2013, the expense related to this liability is included in Other non-operating net. On our consolidated balance sheet at September 30, 2013, \$13.5 million is included in accounts payable and accrued expenses for the current portion of the tax savings payable to the pre-IPO owners and \$41.7 million is included in other noncurrent liabilities for the portion of the tax savings payable to the pre-IPO owners in future years. In our consolidated statement of cash flows for the nine months ended September 30, 2013, these amounts are included in accounts payable and accrued expenses, and other-net, respectively.

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

The tax effect of the IRS settlement noted above includes an \$86.8 million reduction to our unrecognized tax benefits previously recorded for the disallowed refund claims based on utilization of the pre-IPO NOLs.

Our effective tax rate may be affected if our unrecognized tax benefits of \$75.3 million at September 30, 2013 were to be recognized in the future.

For additional information concerning income taxes, see Note 11 Income Taxes in our 2012 Annual Report on Form 10-K filed with the SEC on February 27, 2013.

10. Inventories Net

Inventories net consist of the following:

	September 30, 2013	December 31 2012
	(in millions)	
Fertilizer	\$ 289.0	\$ 212.2
Raw materials, spare parts and supplies	68.4	65.7
	\$ 357.4	\$ 277.9

11. Equity Method Investments

Equity method investments consist of the following:

	September 30, 2013	December 31, 2012
	(in millions)	
Operating equity method investments	\$ 388.7	\$ 394.2
Non-operating equity method investments	543.1	541.4
Investments in and advances to affiliates	\$ 931.8	\$ 935.6

Operating Equity Method Investments

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
(in millions)				
Condensed statement of operations information:				
Net sales	\$ 76.1	\$ 67.8	\$ 247.7	\$ 249.0
Net earnings	\$ 24.4	\$ 20.5	\$ 80.3	\$ 83.0
Equity in earnings of operating affiliates	\$ 11.2	\$ 10.2	\$ 32.3	\$ 39.5

	September 30, 2013	December 31, 2012
	(in millions)	
Condensed balance sheet information:		
Current assets	\$ 93.5	\$ 93.9
Long-term assets	152.9	164.8
Total assets	\$ 246.4	\$ 258.7
Current liabilities	\$ 36.8	\$ 45.9
Long-term liabilities	26.0	26.0
Equity	183.6	186.8
Total liabilities and equity	\$ 246.4	\$ 258.7

The total carrying value of these investments at September 30, 2013 was \$388.7 million, which was \$296.9 million more than our share of the affiliates' book value. The excess is primarily attributable to the purchase accounting impact of our acquisition of the investment in PLNL and reflects primarily the revaluation of property, plant and equipment, the value of an exclusive natural gas contract and goodwill. The increased basis for property, plant and equipment and the gas contract are being depreciated over a remaining period of approximately 20 years and 10 years, respectively. Our equity in earnings of operating affiliates is different from our ownership interest in income reported by the unconsolidated affiliates due to amortization of basis differences.

We have transactions in the normal course of business with PLNL reflecting our obligation to purchase 50% of the ammonia produced by PLNL at current market prices. Our ammonia purchases from PLNL totaled approximately \$35.3 million and \$115.5 million for the three and nine months ended September 30, 2013, respectively, and \$31.4 million and \$113.5 million for the three and nine months ended September 30, 2012, respectively.

Non-Operating Equity Method Investments

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

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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,	
	2013	2012	2013	2012
(in millions)				
Condensed statement of operations information:				
Net sales	\$ 640.9	\$ 685.6	\$ 1,947.5	\$ 2,182.6
Net earnings	\$ 20.9	\$ 54.2	\$ 31.2	\$ 116.9
Equity in earnings of non-operating affiliates net of taxes	\$ 7.2	\$ 23.9	\$ 6.2	\$ 48.8

	September 30, 2013	December 31, 2012
	(in millions)	
Condensed balance sheet information:		
Current assets	\$ 523.1	\$ 595.0
Long-term assets	314.0	293.4
Total assets	\$ 837.1	\$ 888.4
Current liabilities	\$ 313.5	\$ 385.6
Long-term liabilities	142.8	147.3
Equity	380.8	355.5
Total liabilities and equity	\$ 837.1	\$ 888.4

In conjunction with our investment in Keytrade, we provided financing to Keytrade in exchange for subordinated notes that mature on September 30, 2017 and bear interest at LIBOR plus 1.00 percent. At September 30, 2013 and December 31, 2012, the amount of the outstanding advances to Keytrade on our consolidated balance sheets was \$12.4 million. The carrying value of our advances to Keytrade approximates fair value.

Excluding the advances to Keytrade, the carrying value of our non-operating equity method investments at September 30, 2013 was \$530.7 million, which was \$340.3 million more than our share of the affiliates' book value. The excess is primarily attributable to the impact of our acquisition of Terra and reflects primarily the revaluation of property, plant and equipment, identifiable intangibles and goodwill. The increased basis for property, plant and equipment and identifiable intangibles are being depreciated over remaining periods up to 12 years. Our equity in earnings of non-operating affiliates-net of taxes is different than our ownership interest in their net earnings due to the amortization of basis differences.

At September 30, 2013, the amount of our consolidated retained earnings that represents our undistributed earnings of non-operating equity method investments is \$22.0 million.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****12. 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:

	Nine months ended September 30,	
	2013	2012
	(in millions)	
Net capitalized turnaround costs:		
Beginning balance	\$ 82.1	\$ 54.8
Additions	74.8	29.2
Depreciation	(30.0)	(22.1)
Effect of exchange rate changes	(0.1)	0.4
Ending balance	\$ 126.8	\$ 62.3

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

13. Goodwill and Other Intangible Assets

The following table shows the carrying amount of goodwill by business segment at September 30, 2013 and December 31, 2012:

	Nitrogen	Phosphate	Total
	(in millions)		
Balance by segment	\$ 2,063.6	\$ 0.9	\$ 2,064.5

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

	At September 30, 2013			At December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
	(in millions)					
Intangible assets:						
Customer Relationships	\$ 50.0	\$ (9.7)	\$ 40.3	\$ 50.0	\$ (7.6)	\$ 42.4
TerraCair Brand	10.0	(3.5)	6.5	10.0	(2.8)	7.2
Total intangible assets	\$ 60.0	\$ (13.2)	\$ 46.8	\$ 60.0	\$ (10.4)	\$ 49.6

Amortization expense of our identifiable intangibles was \$0.9 million for both the three months ended September 30, 2013 and 2012, respectively, and was \$2.9 million for both the nine months ended September 30, 2013 and 2012, respectively.

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

Total estimated amortization expense for the remainder of 2013 and the five succeeding fiscal years is as follows:

	Estimated Amortization Expense (in millions)
Remainder of 2013	\$ 0.9
2014	3.8
2015	3.8
2016	3.8
2017	3.8
2018	3.8
	\$ 19.9

14. Financing Agreements

Long-term debt consisted of the following:

	September 30, 2013	December 31, 2012
	(in millions)	
Unsecured senior notes:		
6.875% due 2018	\$ 800.0	\$ 800.0
7.125% due 2020	800.0	800.0
3.450% due 2023	749.3	
4.950% due 2043	748.7	
	\$ 3,098.0	\$ 1,600.0
Less: Current portion		
Net long-term debt	\$ 3,098.0	\$ 1,600.0

Credit Agreement

In the second quarter of 2012, CF Holdings, as a guarantor, and CF Industries, as borrower, entered into a \$500 million senior unsecured credit agreement, dated May 1, 2012 (the Credit Agreement), which provided for a revolving credit facility of up to \$500 million with a maturity of five years. On April 22, 2013, the Credit Agreement was amended and restated to increase the credit facility from \$500 million to \$1.0 billion and extend its maturity an additional year to May 1, 2018.

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

All obligations under the Credit Agreement are unsecured. Currently CF Holdings is the only guarantor of CF Industries' obligations under the Credit Agreement. Certain of CF Industries' material domestic subsidiaries would be required to become guarantors under the Credit Agreement if such

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

subsidiary were to guarantee other debt of the Company or CF Industries in excess of \$350 million. Currently, no such subsidiary guarantees any debt.

At September 30, 2013, there was \$995.1 million of available credit under the Credit Agreement (net of outstanding letters of credit), and there were no borrowings outstanding.

Senior Notes due 2018 and 2020

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

The indentures governing the 2018/2020 Notes contain customary events of default and covenants that limit, among other things, the ability of the Company and its subsidiaries, including CF Industries, to incur liens on certain properties to secure debt. In the event of specified changes of control involving the Company or CF Industries, they also require CF Industries to offer to repurchase the 2018/2020 Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

Under the supplemental indentures governing the 2018/2020 Notes, the 2018/2020 Notes are guaranteed by CF Holdings. In addition, in the event that a subsidiary of the Company, other than CF Industries, becomes a borrower or a guarantor under the Credit Agreement (or any renewal, replacement or refinancing thereof), such subsidiary would be required to become a guarantor of the 2018/2020 Notes.

At September 30, 2013, the carrying value of the 2018/2020 Notes was \$1.6 billion and the fair value was approximately \$1.9 billion.

Senior Notes due 2023 and 2043

On May 23, 2013, CF Industries issued \$750 million aggregate principal amount of 3.450% senior notes due June 1, 2023 and \$750 million aggregate principal amount of 4.950% senior notes due June 1, 2043 (the 2023/2043 Notes). Interest is paid semiannually on June 1 and December 1 and the 2023/2043 Notes are redeemable at our option, in whole at any time or in part from time to time, at specified make-whole redemption prices. We received net proceeds from the issuance and sale of the 2023/2043 Notes, after deducting underwriting discounts and offering expenses, of approximately \$1.48 billion. We intend to use the net proceeds from the offering to fund our capacity expansion projects and working capital and for other general corporate purposes, including share repurchases.

The indentures governing the 2023/2043 Notes contain customary events of default and covenants that limit, among other things, the ability of the Company and its subsidiaries, including CF Industries, to incur liens on certain properties to secure debt. In the event of specified changes of control involving CF Holdings or CF Industries, they also require CF Industries to offer to repurchase the 2023/2043 Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

Under the supplemental indentures governing the 2023/2043 Notes, the 2023/2043 Notes are guaranteed by CF Holdings. In addition, in the event that a subsidiary of the Company, other than CF Industries, becomes a borrower or a guarantor under the Credit Agreement (or any renewal, replacement or refinancing thereof), such subsidiary would be required to become a guarantor of the 2023/2043 Notes, provided that such requirement will no longer apply following the repayment of both

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

issues of the 2018/2020 Notes or the subsidiaries of the Company, other than CF Industries, otherwise become no longer subject to such a requirement to guarantee the 2018/2020 Notes.

At September 30, 2013, the carrying value of the 2023/2043 Notes was \$1.5 billion and the fair value was approximately \$1.4 billion.

15. Derivative Financial Instruments

We use derivative financial instruments to reduce our exposure to changes in commodity prices and foreign currency exchange rates.

Commodity Price Risk Management

Natural gas is the largest and most volatile component of the manufacturing cost for nitrogen-based fertilizers. We manage the risk of changes in gas prices primarily through the use of derivative financial instruments covering periods of generally less than 18 months. The derivatives that we use are primarily fixed price swaps and call options traded in the over-the-counter (OTC) markets. These natural gas derivatives settle using primarily a NYMEX futures price index, which represents the basis for 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 purchases of natural gas used to manufacture nitrogen products during those future periods. We use natural gas derivatives as an economic hedge of gas price risk, but without the application of hedge accounting.

As of September 30, 2013 and December 31, 2012, we had open natural gas derivative contracts for 66.7 million MMBtus and 58.9 million MMBtus, respectively. For the nine months ended September 30, 2013, we used derivatives to cover approximately 90% of our natural gas consumption.

Foreign Currency Exchange Rates

In the fourth quarter of 2012, our Board of Directors authorized the expenditure of \$3.8 billion to construct new ammonia and urea/UAN plants at our Donaldsonville, Louisiana complex and new ammonia and urea plants at our Port Neal, Iowa complex. A portion of the project costs are Euro-denominated. In order to manage our exposure to changes in the Euro to U.S. dollar currency exchange rates, we have hedged our projected Euro denominated payments through early 2015 using currency forward exchange contracts.

At September 30, 2013, the notional amount of our open foreign currency derivatives was \$727.8 million. Of this amount, \$182.6 million, or approximately 25%, was designated as cash flow hedging instruments for accounting purposes while the remaining \$545.2 million was not designated as hedging instruments for accounting purposes.

No reclassification from AOCI to income occurred in the nine months ended September 30, 2013 or during 2012, and none is expected within the next twelve months. The AOCI related to our foreign currency derivatives is expected to be reclassified into income over the depreciable lives of the fixed assets associated with the capital expansion projects.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The effect of derivatives in our consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012 is shown in the tables below:

Derivatives designated as cash flow hedges	Gain (loss) recognized in OCI Three months ended September 30,		Location	Gain (loss) reclassified from AOCI into income Three months ended September 30,	
	2013	2012		2013	2012
	(in millions)			(in millions)	
Foreign exchange contracts	\$ 6.1	\$	Other operating net	\$	\$

	Location	Gain (loss) recognized in income Three months ended September 30,	
		2013	2012
		(in millions)	
Foreign exchange contracts	Other operating net	\$ 1.3	\$

Derivatives not designated as hedges	Location	Gain (loss) recognized in income Three months ended September 30,	
		2013	2012
		(in millions)	
Natural gas derivatives	Cost of sales	\$ (5.6)	\$ 39.8
Foreign exchange contracts	Other operating net	19.9	
		\$ 14.3	\$ 39.8

All Derivatives	Gain (loss) in income Three months ended September 30,	
	2013	2012
	(in millions)	
Unrealized gains (losses)		
Derivatives not designated as hedges	\$ 14.3	\$ 39.8
Cash flow hedge ineffectiveness	1.3	
Total unrealized gains (losses)	15.6	39.8
Realized gains (losses)	(7.4)	(31.7)
Net derivative gains (losses)	\$ 8.2	\$ 8.1

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Derivatives designated as cash flow hedges	Gain (loss) recognized in OCI Nine months ended September 30,		Location	Gain (loss) reclassified from AOCI into income Nine months ended September 30,	
	2013	2012		2013	2012
	(in millions)			(in millions)	
Foreign exchange contracts	\$ (0.4)	\$	Other operating net	\$	\$

Location	Gain (loss) recognized in income Nine months ended September 30,	
	2013	2012
	(in millions)	
Foreign exchange contracts	Other operating net ⁽¹⁾	\$ (0.8) \$

Derivatives not designated as hedges	Location	Gain (loss) recognized in income Nine months ended September 30,	
		2013	2012
		(in millions)	
Natural gas derivatives	Cost of sales	\$ (1.2)	\$ 61.5
Foreign exchange contracts	Other operating net	12.0	
		\$ 10.8	\$ 61.5

All Derivatives	Gain (loss) in income Nine months ended September 30,	
	2013	2012
	(in millions)	
Unrealized gains (losses)		
Derivatives not designated as hedges	\$ 10.8	\$ 61.5
Cash flow hedge ineffectiveness	(0.8)	
Total unrealized gains (losses)	10.0	61.5
Realized gains (losses)	1.9	(134.1)
Net derivative gains (losses)	\$ 11.9	\$ (72.6)

(1) For derivatives designated as cash flow hedges, the amount reported as gain (loss) recognized in income represents the amount excluded from hedge effectiveness.

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The fair values of derivatives on our consolidated balance sheets are shown below. For additional information on derivative fair values, see Note 5 Fair Value Measurements.

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	September 30, 2013	December 31, 2012	Balance Sheet Location	September 30, 2013	December 31, 2012
	(in millions)			(in millions)		
Derivatives designated as hedging instruments						
Foreign exchange contracts	Other current assets	\$ 6.3	\$ 4.2	Other current liabilities	\$	\$
Foreign exchange contracts	Other noncurrent assets	0.7	4.8	Other noncurrent liabilities		
		\$ 7.0	\$ 9.0		\$	\$
Derivatives not designated as hedging instruments						
Foreign exchange contracts	Other current assets	\$ 13.3	\$ 3.9	Other current liabilities	\$	\$
Foreign exchange contracts	Other noncurrent assets	3.9	2.4	Other non current liabilities		
Natural gas derivatives	Other current assets		2.0	Other current liabilities	9.0	5.5
Natural gas derivatives	Other noncurrent assets			Other non current liabilities		0.1
		\$ 17.2	\$ 8.3		\$ 9.0	\$ 5.6
Total derivatives		\$ 24.2	\$ 17.3		\$ 9.0	\$ 5.6
Current / Non-Current Totals						
	Other current assets	\$ 19.6	\$ 10.1	Other current liabilities	\$ 9.0	\$ 5.5
	Other noncurrent assets	4.6	7.2	Other non current liabilities		0.1
Total derivatives		\$ 24.2	\$ 17.3		\$ 9.0	\$ 5.6

The counterparties to our derivative contracts are large financial institutions and large oil and gas companies. Our derivatives are executed with several counterparties, generally under International Swaps and Derivatives Association (ISDA) agreements. The ISDA agreements are master netting arrangements commonly used for OTC derivatives that mitigate exposure to counterparty credit risk, in part, by creating contractual rights of netting and setoff, the specifics of which vary from agreement to agreement. These rights are described further below:

Settlement netting generally allows us and our counterparties to net, into a single net payable or receivable, ordinary settlement obligations arising between us under the ISDA agreement on the same day, in the same currency, for the same types of derivative instruments, and through the same pairing of offices.

Close-out netting rights are provided in the event of a default or other termination event (as defined in the ISDA agreements), including bankruptcy. Depending on the cause of early termination, the non-defaulting party may elect to accelerate and terminate all or some transactions outstanding under the ISDA agreement. The values of all terminated transactions and certain other payments under the ISDA agreement are netted, resulting in a single net close-out amount payable to or by the non-defaulting party. Termination values may be determined using a mark-to-market approach or based on a party's good faith estimate of its loss. If the final net close-out amount is payable by the non-defaulting party, that party's obligation to make the payment may be conditioned on factors such as the termination of all derivative transactions

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

between the parties or payment in full of all of the defaulting party's obligations to the non-defaulting party, in each case regardless of whether arising under the ISDA agreement or otherwise.

Setoff rights are provided by certain of our ISDA agreements and generally allow a non-defaulting party to elect to setoff, against the final net close-out payment, other matured and contingent amounts payable between us and our counterparties under the ISDA agreement

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

or otherwise. Typically, these setoff rights arise upon the early termination of all transactions outstanding under an ISDA agreement following a default or specified termination event.

Most of our ISDA agreements contain credit-risk-related contingent features with sliding-scale credit support thresholds that are dependent upon the ratings assigned to our long-term unsecured debt by certain credit rating agencies. Downgrades in our credit ratings would cause the applicable threshold levels to decrease and improvements in those ratings could cause the threshold levels to increase. If our net liability positions exceed the threshold amounts, the counterparties could require cash collateral, some other form of credit support, or daily cash settlement of unrealized losses. At September 30, 2013 and December 31, 2012, the aggregate fair value of the derivative instruments with credit-risk-related contingent features in net liability positions was \$3.8 million and \$0.9 million, respectively, which also approximates the fair value of the maximum amount of additional collateral that would need to be posted or assets needed to settle the obligations if the credit-risk-related contingent features were triggered at the reporting dates. At both September 30, 2013 and December 31, 2012, we had no cash collateral on deposit with counterparties for derivative contracts. The credit support documents executed in connection with ISDA agreements generally provide us and our counterparties the right to setoff collateral against amounts owing under the ISDA agreements upon the occurrence of a default or a specified termination event.

The following table presents amounts relevant to offsetting of our derivative assets and liabilities at September 30, 2013 and December 31, 2012.

	Amounts presented in consolidated balance sheets ⁽¹⁾	Gross amounts not offset in consolidated balance sheets			Net amount
		Financial instruments	Cash collateral received (pledged)		
(in millions)					
September 30, 2013					
Total derivative assets	\$ 24.2	\$ 5.2	\$	\$ 19.0	
Total derivative liabilities	9.0	5.2		3.8	
Net assets	\$ 15.2	\$	\$	\$ 15.2	
December 31, 2012					
Total derivative assets	\$ 17.3	\$ 4.6	\$	\$ 12.7	
Total derivative liabilities	5.5	4.6		0.9	
Net assets	\$ 11.8	\$	\$	\$ 11.8	

(1) We report the fair values of our derivative assets and liabilities on a gross basis on our consolidated balance sheets. As a result, the gross amounts recognized and net amounts presented are the same.

Our exposure to credit loss from nonperformance by counterparties was approximately \$19.0 million and \$12.7 million at September 30, 2013 and December 31, 2012, respectively. We do not believe the contractually allowed netting, close-out netting or set-off of amounts owed to, or due from, the counterparties to our ISDA agreements would have a material effect on our financial position.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****16. Treasury Stock**

In the third quarter of 2012, our Board of Directors authorized the repurchase of up to \$3.0 billion of CF Holdings common stock through December 31, 2016. Repurchases under this program may be made from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing, and amount of any repurchases are determined by our management based on evaluation of market conditions, stock price, and other factors. In the first nine months of 2013, we repurchased 5.8 million shares for \$1.1 billion, of which 3.8 million shares were retired in May 2013. To date under this program 5.8 million shares have been repurchased for an aggregate expenditure of \$1.1 billion. At September 30, 2013, we held in treasury approximately 2.0 million shares of repurchased stock.

17. Accumulated Other Comprehensive Income (Loss)

Changes to accumulated other comprehensive income (loss) (AOCI) are as follows:

	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Securities	Unrealized Gain (Loss) on Derivatives	Defined Benefit Plans	Accumulated Other Comprehensive Income (Loss)
	(in millions)				
Balance at December 31, 2011	\$ 15.4	\$ (3.0)	\$	\$ (111.7)	\$ (99.3)
Unrealized gain		2.3			2.3
Gain arising during period				13.4	13.4
Reclassification to net earnings		(0.3)		8.7	8.4
Effect of exchange rate changes and deferred taxes	47.4	(0.5)		(9.6)	37.3
Balance at September 30, 2012	\$ 62.8	\$ (1.5)	\$	\$ (99.2)	\$ (37.9)
Balance at December 31, 2012	\$ 61.4	\$ (0.4)	\$ 4.6	\$ (115.2)	\$ (49.6)
Unrealized gain (loss)		1.3	(0.4)		0.9
Reclassification to net earnings		(0.4)		8.6	8.2
Effect of exchange rate changes and deferred taxes	(28.0)	(0.6)	0.1	(3.6)	(32.1)
Balance at September 30, 2013	\$ 33.4	\$ (0.1)	\$ 4.3	\$ (110.2)	\$ (72.6)

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

Reclassifications out of AOCI during the nine months ended September 30, 2013 were as follows:

	Amount Reclassified from AOCI	Affected line item in consolidated statement of operations
	(in millions)	
Unrealized Gain (Loss) on Securities		
Available-for-sale securities	\$ (0.4)	Interest income
Total before tax	(0.4)	
Tax effect	0.1	
Net of tax	\$ (0.3)	
Defined Benefit Plans		
Amortization of transition obligation	\$ (1) ⁽¹⁾	
Amortization of prior service cost	0.2 ⁽¹⁾	
Amortization of net loss	8.4 ⁽¹⁾	
Total before tax	8.6	
Tax effect	(3.0)	
Net of tax	\$ 5.6	
Total reclassifications for the period	\$ 5.3	

(1) These AOCI components are included in the computation of net periodic benefit cost of our pension and other postretirement benefits.

18. Contingencies**Litigation*****West Fertilizer Co.***

In April 2013, there was a fire and explosion at the West Fertilizer Co. fertilizer storage and distribution facility in West, Texas. According to published reports, 15 people were killed and approximately 200 people were injured in the incident, and the fire and explosion damaged or destroyed a number of homes and buildings around the facility. We have been named as defendants in lawsuits filed in the District Court of McLennan County, Texas by the City of West, Texas and individual residents of the County seeking recovery for damages allegedly sustained as a result of the explosion. Plaintiffs allege various theories of negligence, strict liability and breach of warranty under Texas law. Although we do not own or operate the facility or directly sell our product to West Fertilizer Co., products we have manufactured and sold to others have been delivered to the facility and may have been stored at the West facility at the time of the incident. Based on the initial analysis of the pending lawsuits, we believe that we have strong legal and factual defenses to the claims and intend to defend ourselves vigorously in the pending lawsuits and any other claims brought against us in connection with the incident. In addition, the increased focus on the risks associated with fertilizers as a result of the incident could impact the regulatory environment and requirements applicable to fertilizer manufacturing and storage facilities.

Other 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,

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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, results of operations or cash flows.

Environmental

Florida Environmental Matters

Clean Air Act Investigation

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

The Company received a Notice of Violation (NOV) from the EPA by letter dated June 16, 2010. The NOV alleges the Company violated the Prevention of Significant Deterioration (PSD) Clean Air Act regulations relating to certain projects undertaken at the Plant City facility's sulfuric acid plants. This NOV further alleges that the actions that are the basis for the alleged PSD violations also resulted in violations of Title V air operating permit regulations. Finally, the NOV alleges that the Company failed to comply with certain compliance dates established by hazardous air pollutant regulations for phosphoric acid manufacturing plants and phosphate fertilizer production plants. Although this matter has been referred to the United States Department of Justice (DOJ), the Company has continued to meet 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, the DOJ stated that it and the EPA believe that apparent violations of Section 313 of the Emergency Planning and Community Right-to-Know Act (EPCRA), which requires annual reports to be submitted with respect to the use of certain toxic chemicals, have occurred at all of the phosphoric acid facilities operated by these manufacturers. The letter also states that the DOJ and the EPA believe that most of these facilities have violated Section 304 of EPCRA and Section 103 of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) by failing to provide required notifications relating to the release of hydrogen fluoride from these facilities. The letter did not specifically identify alleged violations at our Plant City, Florida complex or assert a claim for a specific amount of penalties. The EPA submitted an information request to the Company on February 11, 2009, as a follow-up to the July 2008 letter. The Company provided information in response to the agency's inquiry on May 14 and May 29, 2009.

By letter dated July 6, 2010, the EPA issued a NOV to the Company alleging violations of EPCRA and CERCLA. The Company had an initial meeting with the EPA to discuss these alleged violations.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The Company does not know at this time if it will settle this matter prior to initiation of formal legal action.

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

Federal Numeric Nutrient Criteria Regulation

On August 18, 2009, the EPA entered into a consent decree with certain environmental groups with respect to the promulgation of numeric criteria for nitrogen and phosphorous in surface waters in Florida. The consent decree was approved by a Federal district court judge on November 16, 2009. The EPA adopted final numeric nutrient criteria for Florida lakes and inland flowing waters on November 14, 2010. On February 18, 2012, the Court upheld parts of the numeric nutrient criteria regulation, but found that the EPA had not adequately justified the criteria for streams and therefore concluded that the adoption of such criteria was arbitrary and capricious. The Court ordered the EPA to issue proposed or final numeric nutrient criteria for streams by May 21, 2012. Subsequently, the Court granted the EPA's motion to allow the EPA to propose numeric nutrient criteria for streams by November 30, 2012 and to finalize such criteria by August 31, 2013.

In December 2011, the State of Florida proposed its own numeric nutrient criteria for surface waters. The nitrogen and phosphorous criteria in the proposed rule are substantially identical to the federal rule, but the state proposal includes biological verification as a component of the criteria and adopts existing nutrient Total Maximum Daily Loads (TMDL) as applicable numeric criteria. The impact of these modifications could be to provide more flexibility with respect to nitrogen and phosphorous limits in wastewater discharge permits so long as such discharges do not impair the biological health of receiving water bodies. Environmental groups filed a challenge to the proposed state rule, but the rule was upheld by an administrative law judge on June 8, 2012, and became final. An appeal of the administrative decision upholding the rule is now pending before a Florida appellate court.

On November 30, 2012, the EPA approved Florida's rule. However, because the EPA identified what it considered to be gaps in the scope of the waters covered by Florida's rule and potential legal issues that might bar the Florida rule from going into effect, the EPA, pursuant to the Court order described above, has again proposed numeric nutrient criteria for Florida streams. On March 15, 2013, the EPA and the FDEP announced an agreement in principle that would allow the EPA to withdraw its proposed rule subject to certain actions to be taken by FDEP and EPA.

Notwithstanding the EPA's approval of the Florida rule, the federal criteria for lakes and inland waters previously upheld by the Court (excluding the criteria found to be arbitrary and capricious) became effective on January 6, 2013. The EPA intends to withdraw these criteria once the State of Florida completes all of the actions required pursuant to the aforementioned agreement in principle.

On June 27, 2013, the EPA approved new water quality standards submitted by the FDEP relating to the scope of coverage of the FDEP's numeric nutrient criteria for surface waters. On June 28, 2013, the EPA (i) issued a finding that Florida's narrative criteria were sufficient to protect those surface waters that the FDEP had determined were not to be covered by the state numeric criteria and (ii) based on this finding, filed a motion to modify the August 2009 consent decree to exclude these surface waters from EPA's obligations under the consent decree. The Court has not yet ruled on this motion.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The 2009 consent decree also required the EPA to develop numeric nutrient criteria for Florida coastal and estuarine waters. On November 30, 2012, the EPA proposed numeric nutrient criteria for Florida coastal and estuarine waters. Subsequently, on July 31, 2013, and August 1, 2013, the FDEP submitted to EPA new numeric nutrient water quality standards for those waters. On September 26, 2013, EPA approved Florida's new and revised nutrient water quality standards for estuaries and coastal waters and informed the Court that as a result, it was not required to finalize the federal criteria that it had proposed on November 30, 2012.

Due to potential challenges to these developments, federal or state numeric nutrient water quality criteria for Florida waters could result in substantially more stringent nitrogen and phosphorous limits in wastewater discharge permits for our mining, manufacturing and distribution operations in Florida. More stringent limits on wastewater discharge permits could increase our costs and limit our operations and, therefore, could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Louisiana Environmental Matters

Clean Air Act Section 185 Fee

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

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

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

In July 2011, the EPA approved a revision to Louisiana's air pollution program that eliminated the requirement for Baton Rouge area companies to pay Section 185 fees, based on Baton Rouge's ultimate attainment of the 1-hour standard through permanent and enforceable emissions reductions. EPA's approval of the Louisiana air program revision became effective on August 8, 2011. However, a recent decision by the federal D.C. Circuit Court of Appeals struck down a similar, but perhaps distinguishable, EPA guidance document regarding alternatives to Section 185 fees. At this time, the viability of EPA's approval of Louisiana's elimination of Section 185 fees is uncertain. Regardless of the approach ultimately adopted by the EPA, we expect that it is likely to be challenged by the environmental community, the states, and/or affected industries. Therefore, the costs associated with

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

compliance with the Act cannot be determined at this time, and we cannot reasonably estimate the impact on the Company's financial position, results of operations or cash flows.

Clean Air Act Information Request

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

Other

CERCLA/Remediation Matters

From time to time, we receive notices from governmental agencies or third parties alleging that we are a potentially responsible party at certain cleanup sites under CERCLA or other environmental cleanup laws. In 2011, we received a notice from the Idaho Department of Environmental Quality (IDEQ) that alleged that we were a potentially responsible party for the cleanup of a former phosphate mine site we owned in the late 1950s and early 1960s located in Georgetown Canyon, Idaho. The current owner of the property and a former mining contractor received similar notices for the mine site. IDEQ requested that each party indicate its willingness to enter into negotiations for a remedial investigation of the site. The current owner indicated a willingness to negotiate. While reserving all rights and not admitting liability, we also indicated a willingness to negotiate. Negotiations are continuing. We are not able to estimate at this time our potential liability, if any, with respect to the cleanup of the site. However, based on currently available information, we do not expect that any remedial or financial obligations we may be subject to involving this or other cleanup sites will have a material adverse effect on our business, financial condition, results of operations or cash flows.

19. Segment Disclosures

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

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

Segment data for sales, cost of sales and gross margin for the three and nine months ended September 30, 2013 and 2012 are presented in the table below.

	Nitrogen	Phosphate	Consolidated
	(in millions)		
Three months ended September 30, 2013			
Net sales			
Ammonia	\$ 211.3	\$	\$ 211.3
Granular urea	185.3		185.3
UAN	393.6		393.6
AN	46.4		46.4
DAP		154.3	154.3
MAP		66.4	66.4
Other	39.7		39.7
	876.3	220.7	1,097.0
Cost of sales	517.9	193.0	710.9
Gross margin	\$ 358.4	\$ 27.7	\$ 386.1
Total other operating costs and expenses			11.9
Equity in earnings of operating affiliates			11.2
Operating earnings			\$ 385.4
Three months ended September 30, 2012			
Net sales			
Ammonia	\$ 259.1	\$	\$ 259.1
Granular urea	262.7		262.7
UAN	474.4		474.4
AN	53.7		53.7
DAP		200.2	200.2
MAP		64.0	64.0
Other	45.3		45.3
	1,095.2	264.2	1,359.4
Cost of sales	456.6	200.8	657.4
Gross margin	\$ 638.6	\$ 63.4	\$ 702.0
Total other operating costs and expenses			45.1
Equity in earnings of operating affiliates			10.2
Operating earnings			\$ 667.1

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

	Nitrogen	Phosphate	Consolidated
	(in millions)		
Nine months ended September 30, 2013			
Net sales			
Ammonia	\$ 998.5	\$	\$ 998.5
Granular urea	720.0		720.0
UAN	1,487.6		1,487.6
AN	166.5		166.5
DAP		488.3	488.3
MAP		161.0	161.0
Other	126.5		126.5
	3,499.1	649.3	4,148.4
Cost of sales	1,645.9	576.1	2,222.0
Gross margin	\$ 1,853.2	\$ 73.2	\$ 1,926.4
Total other operating costs and expenses			111.8
Equity in earnings of operating affiliates			32.3
Operating earnings			\$ 1,846.9
Nine months ended September 30, 2012			
Net sales			
Ammonia	\$ 1,164.3	\$	\$ 1,164.3
Granular urea	973.9		973.9
UAN	1,425.8		1,425.8
AN	181.6		181.6
DAP		583.2	583.2
MAP		168.4	168.4
Other	125.4		125.4
	3,871.0	751.6	4,622.6
Cost of sales	1,577.4	588.1	2,165.5
Gross margin	\$ 2,293.6	\$ 163.5	\$ 2,457.1
Total other operating costs and expenses			153.3
Equity in earnings of operating affiliates			39.5
Operating earnings			\$ 2,343.3

Total assets at September 30, 2013 and December 31, 2012, are presented below.

	Nitrogen	Phosphate	Other	Consolidated
	(in millions)			
Assets				
September 30, 2013	\$ 6,471.5	\$ 779.2	\$ 3,548.3	\$ 10,799.0
December 31, 2012	\$ 5,991.5	\$ 795.2	\$ 3,380.2	\$ 10,166.9

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

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

20. Condensed Consolidating Financial Statements

The following condensed consolidating financial information is presented in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*, and relates to the Notes issued by CF Industries, Inc. (CF Industries), a 100% owned subsidiary of CF Industries Holdings, Inc. (Parent), described in Note 14, and the full and unconditional guarantee of such Notes by Parent and to debt securities of CF Industries, and the full and unconditional guarantee thereof by Parent, that may be offered and sold from time to time under the registration statement on Form S-3 filed by Parent and CF Industries with the Securities and Exchange Commission on April 22, 2013. Under the supplemental indentures governing the Notes, the Notes are to be guaranteed by Parent and each of its current and future subsidiaries, other than CF Industries, that from time to time is a borrower or guarantor under the Credit Agreement, or any renewal, replacement or refinancing thereof. At September 30, 2013, none of such subsidiaries of Parent was, or was required to be, a guarantor of the Notes. In the event that a subsidiary of Parent, other than CF Industries, becomes a borrower or a guarantor under the Credit Agreement, it would be required to become a guarantor of the Notes. For purposes of the presentation of condensed consolidating financial information, the subsidiaries of Parent other than CF Industries are referred to as the Other Subsidiaries.

Presented below are condensed consolidating statements of operations and statements of cash flows for Parent, CF Industries and the Other Subsidiaries for the three and nine months ended September 30, 2013 and 2012, and condensed consolidating balance sheets for Parent, CF Industries and the Other Subsidiaries at September 30, 2013 and December 31, 2012. The condensed consolidating financial information presented below is not necessarily indicative of the financial position, results of operations, comprehensive income or cash flows of Parent, CF Industries or the Other Subsidiaries on a stand-alone basis.

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

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

	Three months ended September 30, 2013					
	Parent	CF Industries	Other		Consolidated	
			Subsidiaries	Eliminations		
(in millions)						
Net sales	\$	\$	281.1	\$ 1,207.3	\$ (391.4)	\$ 1,097.0
Cost of sales			268.8	833.4	(391.3)	710.9
Gross margin			12.3	373.9	(0.1)	386.1
Selling, general and administrative expenses		0.5	2.0	29.8	(0.1)	32.2
Other operating net			(1.8)	(18.5)		(20.3)
Total other operating costs and expenses		0.5	0.2	11.3	(0.1)	11.9
Equity in earnings of operating affiliates				11.2		11.2
Operating earnings (loss)		(0.5)	12.1	373.8		385.4
Interest expense			44.7	(3.6)	(0.1)	41.0
Interest income			(0.1)	(1.0)	0.1	(1.0)
Net (earnings) of wholly-owned subsidiaries		(234.5)	(254.6)		489.1	
Other non-operating net			(0.2)	(0.1)		(0.3)
Earnings before income taxes and equity in losses of non-operating affiliates		234.0	222.3	378.5	(489.1)	345.7
Income tax provision (benefit)		(0.1)	(12.2)	121.3		109.0
Equity in losses of non-operating affiliates net of taxes				7.2		7.2
Net earnings		234.1	234.5	264.4	(489.1)	243.9
Less: Net earnings attributable to noncontrolling interest				9.8		9.8
Net earnings attributable to common stockholders	\$	234.1	\$ 234.5	\$ 254.6	\$ (489.1)	\$ 234.1

Condensed, Consolidating Statement of Comprehensive Income

	Three months ended September 30, 2013									
	Parent	CF Industries	Other		Consolidated					
			Subsidiaries	Eliminations						
(in millions)										
Net earnings	\$	234.1	\$	234.5	\$	264.4	\$	(489.1)	\$	243.9
Other comprehensive income		42.7		42.7		42.7		(85.4)		42.7
Comprehensive income		276.8		277.2		307.1		(574.5)		286.6
Less: Comprehensive income attributable to noncontrolling interest						9.8				9.8
Comprehensive income attributable to common stockholders	\$	276.8	\$	277.2	\$	297.3	\$	(574.5)	\$	276.8

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

Nine months ended September 30, 2013

Other

	Parent	CF Industries	Subsidiaries	Eliminations	Consolidated
--	--------	---------------	--------------	--------------	--------------

(in millions)

Net sales	\$	\$	885.8	\$ 4,374.3	\$ (1,111.7)	\$ 4,148.4
Cost of sales			691.3	2,638.3	(1,107.6)	2,222.0
Gross margin			194.5	1,736.0	(4.1)	1,926.4
Selling, general and administrative expenses		2.2	6.8	112.1	(0.1)	121.0
Other operating net			7.5	(16.7)		(9.2)
Total other operating costs and expenses		2.2	14.3	95.4	(0.1)	111.8
Equity in earnings of operating affiliates				32.3		32.3
Operating earnings (loss)		(2.2)	180.2	1,672.9	(4.0)	1,846.9
Interest expense			110.2	3.2	(1.0)	112.4
Interest income			(0.7)	(4.4)	1.0	(4.1)
Net (earnings) of wholly-owned subsidiaries		(1,140.3)	(1,094.2)		2,234.5	
Other non-operating net			(0.2)	54.3		54.1
Earnings before income taxes and equity in losses of non-operating affiliates		1,138.1	1,165.1	1,619.8	(2,238.5)	1,684.5
Income tax provision (benefit)		(0.7)	24.7	475.3		499.3
Equity in losses of non-operating affiliates net of taxes			(0.1)	6.3		6.2
Net earnings		1,138.8	1,140.3	1,150.8	(2,238.5)	1,191.4
Less: Net earnings attributable to noncontrolling interest				56.6	(4.0)	52.6
Net earnings attributable to common stockholders	\$	\$	1,138.8	\$ 1,140.3	\$ (2,234.5)	\$ 1,138.8

Condensed, Consolidating Statement of Comprehensive Income

Nine months ended September 30, 2013

Other

	Parent	CF Industries	Subsidiaries	Eliminations	Consolidated
--	--------	---------------	--------------	--------------	--------------

(in millions)

Net earnings	\$ 1,138.8	\$ 1,140.3	\$ 1,150.8	\$ (2,238.5)	\$ 1,191.4
Other comprehensive income	(23.0)	(23.0)	(69.7)	92.0	(23.7)
Comprehensive income	1,115.8	1,117.3	1,081.1	(2,146.5)	1,167.7
Less: Comprehensive income attributable to noncontrolling interest			56.6	(4.7)	51.9
Comprehensive income attributable to common stockholders	\$ 1,115.8	\$ 1,117.3	\$ 1,024.5	\$ (2,141.8)	\$ 1,115.8

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

	Three months ended September 30, 2012					
	Parent	CF Industries	Other Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Net sales	\$	\$	766.8	\$ 715.1	\$ (122.5)	\$ 1,359.4
Cost of sales			372.6	320.5	(35.7)	657.4
Gross margin			394.2	394.6	(86.8)	702.0
Selling, general and administrative expenses		0.5	30.5	5.5		36.5
Other operating net			5.4	3.2		8.6
Total other operating costs and expenses		0.5	35.9	8.7		45.1
Equity in earnings of operating affiliates			0.4	9.8		10.2
Operating earnings (loss)		(0.5)	358.7	395.7	(86.8)	667.1
Interest expense			27.1	2.2	(0.6)	28.7
Interest income			(0.4)	(1.8)	0.6	(1.6)
Net (earnings) of wholly-owned subsidiaries		(403.5)	(191.1)		594.6	
Other non-operating net			(0.1)	(0.1)		(0.2)
Earnings before income taxes and equity in earnings of non-operating affiliates		403.0	523.2	395.4	(681.4)	640.2
Income tax (benefit) provision		(0.3)	119.7	86.6		206.0
Equity in earnings of non-operating affiliates net of taxes				23.9		23.9
Net earnings		403.3	403.5	332.7	(681.4)	458.1
Less: Net earnings attributable to noncontrolling interest				141.6	(86.8)	54.8
Net earnings attributable to common stockholders	\$	403.3	\$ 403.5	\$ 191.1	\$ (594.6)	\$ 403.3

Condensed, Consolidating Statement of Comprehensive Income

	Three months ended September 30, 2012				
	Parent	CF Industries	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net earnings	\$ 403.3	\$ 403.5	\$ 332.7	\$ (681.4)	\$ 458.1
Other comprehensive income	37.3	37.3	27.6	(64.0)	38.2
Comprehensive income	440.6	440.8	360.3	(745.4)	496.3
Less: Comprehensive income attributable to noncontrolling interest			141.6	(85.9)	55.7
Comprehensive income attributable to common stockholders	\$ 440.6	\$ 440.8	\$ 218.7	\$ (659.5)	\$ 440.6

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

	Nine months ended September 30, 2012				
	Parent	CF Industries	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net sales	\$	\$ 2,738.4	\$ 2,271.1	\$ (386.9)	\$ 4,622.6
Cost of sales		1,329.5	941.2	(105.2)	2,165.5
Gross margin		1,408.9	1,329.9	(281.7)	2,457.1
Selling, general and administrative expenses	2.0	92.2	17.4		111.6
Other operating net		21.2	20.5		41.7
Total other operating costs and expenses	2.0	113.4	37.9		153.3
Equity in earnings of operating affiliates		1.5	38.0		39.5
Operating earnings (loss)	(2.0)	1,297.0	1,330.0	(281.7)	2,343.3
Interest expense		98.1	7.8	(1.0)	104.9
Interest income		(0.8)	(2.2)	1.0	(2.0)
Net (earnings) of wholly-owned subsidiaries	(1,379.3)	(604.1)		1,983.4	
Other non-operating net		0.1	(1.0)		(0.9)
Earnings before income taxes and equity in earnings of non-operating affiliates	1,377.3	1,803.7	1,325.4	(2,265.1)	2,241.3
Income tax (benefit) provision	(0.7)	424.3	298.4		722.0
Equity in (loss) earnings of non-operating affiliates net of taxes		(0.1)	48.9		48.8
Net earnings	1,378.0	1,379.3	1,075.9	(2,265.1)	1,568.1
Less: Net earnings attributable to noncontrolling interest			471.8	(281.7)	190.1
Net earnings attributable to common stockholders	\$ 1,378.0	\$ 1,379.3	\$ 604.1	\$ (1,983.4)	\$ 1,378.0

Condensed, Consolidating Statement of Comprehensive Income

	Nine months ended September 30, 2012				
	Parent	CF Industries	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net earnings	\$ 1,378.0	\$ 1,379.3	\$ 1,075.9	\$ (2,265.1)	\$ 1,568.1
Other comprehensive income	61.3	61.3	48.4	(108.6)	62.4
Comprehensive income	1,439.3	1,440.6	1,124.3	(2,373.7)	1,630.5
Less: Comprehensive income attributable to noncontrolling interest			471.8	(280.7)	191.1
Comprehensive income attributable to common stockholders	\$ 1,439.3	\$ 1,440.6	\$ 652.5	\$ (2,093.0)	\$ 1,439.4

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

	September 30, 2013				
	Parent	CF Industries	Other Subsidiaries	Eliminations and Reclassifications	Consolidated
	(in millions)				
Assets					
Current assets:					
Cash and cash equivalents	\$ 0.1	\$ 72.1	\$ 2,214.0	\$	\$ 2,286.2
Restricted cash			111.4		111.4
Accounts and notes receivable net	24.1	153.1	689.4	(679.7)	186.9
Inventories net		66.6	290.8		357.4
Prepaid income taxes	0.8		61.0	(26.0)	35.8
Deferred income taxes		128.6	44.1	(128.6)	44.1
Other		0.7	37.2		37.9
Total current assets	25.0	421.1	3,447.9	(834.3)	3,059.7
Property, plant and equipment net		452.0	3,798.0		4,250.0
Asset retirement obligation funds		200.8			200.8
Investments in and advances to affiliates	4,894.5	7,851.0	931.6	(12,745.3)	931.8
Due from affiliates	570.7		1.7	(572.4)	
Goodwill		0.9	2,063.6		2,064.5
Other assets		75.7	216.5		292.2
Total assets	\$ 5,490.2	\$ 9,001.5	\$ 10,459.3	\$ (14,152.0)	\$ 10,799.0
Liabilities and Equity					
Current liabilities:					
Accounts and notes payable and accrued expenses	\$ 384.4	\$ 258.2	\$ 504.0	\$ (679.7)	\$ 466.9
Income taxes payable		29.6		(26.0)	3.6
Customer advances			433.3		433.3
Other			9.1		9.1
Total current liabilities	384.4	287.8	946.4	(705.7)	912.9
Long-term debt		3,098.0			3,098.0
Deferred income taxes			998.7	(128.6)	870.1
Due to affiliates		572.5		(572.5)	
Other noncurrent liabilities		148.7	307.3		456.0
Equity:					
Stockholders' equity:					
Preferred stock			16.4	(16.4)	
Common stock	0.6		1.1	(1.1)	0.6
Paid-in capital	1,659.0	(12.8)	7,823.0	(7,810.2)	1,659.0
Retained earnings	3,880.5	4,979.9	82.9	(5,062.7)	3,880.6
Treasury stock	(361.7)				(361.7)
Accumulated other comprehensive income (loss)	(72.6)	(72.6)	(72.6)	145.2	(72.6)
Total stockholders' equity	5,105.8	4,894.5	7,850.8	(12,745.2)	5,105.9
Noncontrolling interest			356.1		356.1

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Total equity	5,105.8	4,894.5	8,206.9	(12,745.2)	5,462.0
Total liabilities and equity	\$ 5,490.2	\$ 9,001.5	\$ 10,459.3	\$ (14,152.0)	\$ 10,799.0

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

	December 31, 2012				
	Parent	CF Industries	Other Subsidiaries	Eliminations and Reclassifications	Consolidated
	(in millions)				
Assets					
Current assets:					
Cash and cash equivalents	\$	\$ 440.8	\$ 1,834.1	\$	\$ 2,274.9
Accounts and notes receivable-net		145.1	1,007.9	(935.6)	217.4
Income taxes receivable		642.1		(642.1)	
Inventories net		193.1	84.8		277.9
Deferred income taxes		9.5			9.5
Other		15.4	12.5		27.9
Total current assets		1,446.0	2,939.3	(1,577.7)	2,807.6
Property, plant and equipment net		1,008.1	2,892.4		3,900.5
Deferred income taxes		50.7		(50.7)	
Asset retirement obligation funds		200.8			200.8
Investments in and advances to affiliates	5,331.5	6,291.4	935.2	(11,622.5)	935.6
Due from affiliates	570.7		1.8	(572.5)	
Goodwill		0.9	2,063.6		2,064.5
Other assets		136.5	121.4		257.9
Total assets	\$ 5,902.2	\$ 9,134.4	\$ 8,953.7	\$ (13,823.4)	\$ 10,166.9
Liabilities and Equity					
Current liabilities:					
Accounts and accrued expenses	\$	\$ 222.6	\$ 159.3	\$ (15.4)	\$ 366.5
Income taxes payable			829.2	(642.1)	187.1
Customer advances		247.9	132.8		380.7
Notes payable		900.0	14.6	(909.6)	5.0
Distributions payable to noncontrolling interest			15.7	(10.4)	5.3
Other		4.5	1.1		5.6
Total current liabilities		1,375.0	1,152.7	(1,577.5)	950.2
Long-term debt		1,600.0			1,600.0
Deferred income taxes			989.5	(50.7)	938.8
Due to affiliates		572.5		(572.5)	
Other noncurrent liabilities		255.4	140.3		395.7
Equity:					
Stockholders' equity:					
Preferred stock			65.3	(65.3)	
Common stock	0.6		154.3	(154.3)	0.6
Paid-in capital	2,492.3	739.8	4,493.6	(5,233.3)	2,492.4
Retained earnings	3,461.2	4,641.3	1,598.3	(6,239.7)	3,461.1
Treasury stock	(2.3)				(2.3)
Accumulated other comprehensive income (loss)	(49.6)	(49.6)	(2.9)	52.5	(49.6)

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Total stockholders' equity	5,902.2	5,331.5	6,308.6	(11,640.1)	5,902.2
Noncontrolling interest			362.6	17.4	380.0
Total equity	5,902.2	5,331.5	6,671.2	(11,622.7)	6,282.2
Total liabilities and equity	\$ 5,902.2	\$ 9,134.4	\$ 8,953.7	\$ (13,823.4)	\$ 10,166.9

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

Nine months ended September 30, 2013

	Parent	CF Industries	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Operating Activities:					
Net earnings	\$ 1,138.8	\$ 1,140.3	\$ 1,150.8	\$ (2,238.5)	\$ 1,191.4
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities					
Depreciation, depletion and amortization		42.7	271.1		313.8
Deferred income taxes		(5.5)	41.3		35.8
Stock compensation expense	9.3		0.2		9.5
Excess tax benefit from stock-based compensation	(11.4)				(11.4)
Unrealized loss (gain) on derivatives			(4.0)		(4.0)
Loss (gain) on disposal of property, plant and equipment			5.0		5.0
Undistributed loss (earnings) of affiliates net	(1,140.3)	(1,098.3)	(12.9)	2,238.6	(12.9)
Due to / from affiliates net	11.3		(11.3)		
Changes in:					
Accounts and notes receivable net	(27.3)	(77.2)	(92.5)	241.6	44.6
Margin deposits					
Inventories -net		(7.2)	(79.1)		(86.3)
Accrued income taxes	(0.8)	24.1	(256.0)		(232.7)
Accounts and notes payable and accrued expenses	21.3	188.1	102.0	(242.0)	69.4
Customer advances			52.5		52.5
Other net		5.2	49.1	0.3	54.6
Net cash provided by (used in) operating activities	0.9	212.2	1,216.2		1,429.3
Investing Activities:					
Additions to property, plant and equipment		(48.1)	(584.8)		(632.9)
Proceeds from sale of property, plant and equipment			11.1		11.1
Sales and maturities of short-term and auction rate securities		6.6			6.6
Deposits to restricted cash funds			(111.4)		(111.4)
Other net			(4.3)		(4.3)
Net cash provided by (used in) investing activities		(41.5)	(689.4)		(730.9)
Financing Activities:					
Proceeds from long-term borrowings		1,498.0			1,498.0
Short-term Debt net	363.0	(942.3)	579.3		
Financing fees		(14.5)			(14.5)
Dividends paid on common stock	(71.9)	(801.9)	(71.9)	873.8	(71.9)
Dividends to / from affiliates	801.9	71.9		(873.8)	
Distributions to/from noncontrolling interest		14.3	(78.7)		(64.4)
Purchase of treasury stock	(1,111.5)				(1,111.5)
Acquisitions of noncontrolling interests in CFL		(364.9)	(553.8)		(918.7)
Issuances of common stock under employee stock plans	6.3				6.3
Excess tax benefit from stock-based compensation	11.4				11.4
Net cash provided by (used in) financing activities	(0.8)	(539.4)	(125.1)		(665.3)
Effect of exchange rate changes on cash and cash equivalents			(21.8)		(21.8)
Increase (decrease) in cash and cash equivalents	0.1	(368.7)	379.9		11.3
Cash and cash equivalents at beginning of period		440.8	1,834.1		2,274.9
Cash and cash equivalents at end of period	\$ 0.1	\$ 72.1	\$ 2,214.0	\$	\$ 2,286.2

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Statement of Cash Flows

Nine months ended September 30, 2012

Other

	Parent	CF Industries	Subsidiaries	Eliminations	Consolidated
--	--------	---------------	--------------	--------------	--------------

(in millions)

Operating Activities:

Net earnings	\$ 1,378.0	\$ 1,379.3	\$ 1,075.9	\$ (2,265.1)	\$ 1,568.1
Adjustments to reconcile net earnings to net cash provided by operating activities					
Depreciation, depletion and amortization		94.0	224.7		318.7
Deferred income taxes		20.7	12.1		32.8
Stock compensation expense	8.0		0.8		8.8
Excess tax benefit from stock-based compensation	(30.0)				(30.0)
Unrealized loss (gain) on derivatives		(52.3)	(9.2)		(61.5)
(Gain) loss on disposal of property, plant and equipment and non-core assets		1.3	2.7		4.0
Undistributed earnings of affiliates net	(1,379.3)	(887.9)	(56.9)	2,265.1	(59.0)
Due to / from affiliates net	480.7	(480.4)	(0.3)		
Changes in:					
Accounts and notes receivable net		(35.5)	(634.1)	601.8	(67.8)
Margin deposits		0.8			0.8
Inventories -net		(14.4)	17.6		3.2
Accrued income taxes		(455.7)	255.6		(200.1)
Accounts and notes payable and accrued expenses		662.0	3.8	(601.8)	64.0
Customer advances		223.6	136.5		360.1
Other net		(8.2)	20.4		12.2
Net cash provided by operating activities	457.4	447.3	1,049.6		1,954.3

Investing Activities:

Additions to property, plant and equipment		(149.4)	(112.0)		(261.4)
Proceeds from sale of property, plant and equipment and non-core assets		7.5	4.1		11.6
Sales and maturities of short-term and auction rate securities		31.0			31.0
Deposit to asset retirement funds		(2.2)			(2.2)
Net cash used in investing activities		(113.1)	(107.9)		(221.0)

Financing Activities:

Payments of long-term debt			(13.0)		(13.0)
Advances from unconsolidated affiliates			40.5		40.5
Dividends paid on common stock	(77.4)				(77.4)
Dividends to / from affiliates	77.4	(77.4)			
Distributions to/from noncontrolling interest		300.5	(513.3)		(212.8)
Purchase of treasury stock	(500.0)				(500.0)
Issuances of common stock under employee stock plans	12.6				12.6
Excess tax benefit from stock-based compensation	30.0				30.0
Net cash (used in) provided by financing activities	(457.4)	223.1	(485.8)		(720.1)
Effect of exchange rate changes on cash and cash equivalents		(14.2)	15.3		1.1

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Increase (decrease) in cash and cash equivalents			543.1		471.2		1,014.3
Cash and cash equivalents at beginning of period			98.7		1,108.3		1,207.0
Cash and cash equivalents at end of period	\$	\$	641.8	\$	1,579.5	\$	2,221.3

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

21. Subsequent Events

CF Industries announced on October 28th that it has entered into a set of strategic agreements with the Mosaic Company (Mosaic). The agreements include: a definitive agreement to sell the entirety of CF Industries' phosphate mining and manufacturing business to Mosaic for cash consideration of \$1.4 billion, subject to adjustment; a long-term agreement under which the Company will supply Mosaic with between 600,000 and 800,000 tons of ammonia per year from its Donaldsonville, LA nitrogen complex beginning no later than 2017; and an agreement to provide ammonia to Mosaic from the Company's Point Lisas Nitrogen Ltd. (PLNL) joint venture beginning at the close of the phosphate business sale.

The phosphate sale includes: the Hardee County Phosphate Rock Mine; the Plant City Phosphate Complex; an ammonia terminal, phosphate warehouse and dock at the Port of Tampa; and the site of the former Bartow Phosphate Complex. In addition, Mosaic is assuming liabilities related to the phosphate business, including responsibility for closure, long-term maintenance and monitoring of the phosphogypsum stacks at the Plant City and Bartow complexes. CF Industries is also transferring to Mosaic the value of its asset retirement obligation trust and escrow funds totaling approximately \$200 million.

Under the long-term ammonia supply agreement, beginning no later than 2017 CF Industries will supply between 600,000 and 800,000 tons of ammonia per year for up to 15 years from its Donaldsonville nitrogen complex for Mosaic's use in phosphate production. The ammonia price will be based on the cost of natural gas delivered to Donaldsonville.

Following the close of the sale of the phosphate business, CF Industries will sell ammonia produced by the Company's 50% owned PLNL ammonia production facility in the Republic of Trinidad and Tobago to Mosaic for use in phosphate production. Pricing under this supply agreement will be similar to that in the existing agreement under which the Company purchases ammonia from PLNL.

The phosphate business sale transaction is subject to customary closing conditions and regulatory clearances, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Act and approval from the applicable governmental agencies under CF's consent decree with respect to certain environmental matters related to the phosphate business. The sale is expected to close in 2014. The Donaldsonville ammonia agreement is not conditional on the phosphate sale transaction and will go into effect beginning no later than 2017. The Trinidad ammonia agreement is conditional on and goes into effect at the closing of the phosphate sale transaction.

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 2012 Annual Report on Form 10-K filed with the SEC on February 27, 2013, 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, except where the context makes clear that the reference is only to CF Holdings itself and not its subsidiaries. Footnotes referenced in this discussion and analysis refer to the notes to unaudited interim consolidated financial statements that are found in the preceding section: Item 1. Financial Statements. The following is an outline of the discussion and analysis included herein:

Overview of CF Holdings

Our Company

Items Affecting Comparability of Results

Financial Executive Summary

Results of Consolidated Operations

Third Quarter of 2013 Compared to Third Quarter of 2012

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Operating Results by Business Segment

Liquidity and Capital Resources

Off-Balance Sheet Arrangements

Critical Accounting Policies and Estimates

Recent Accounting Pronouncements

Forward Looking Statements

Overview of CF Holdings

Our Company

We are one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in the world. Our operations are organized into two business segments the nitrogen segment and the phosphate segment. Our principal customers are cooperatives and independent fertilizer distributors. Our principal fertilizer products in the nitrogen segment are ammonia, granular urea, urea ammonium nitrate

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

solution, or UAN, and ammonium nitrate, or AN. Our other nitrogen products include urea liquor, diesel exhaust fluid, or DEF, and aqua ammonia, which are sold primarily to our industrial customers. Our principal fertilizer products in the phosphate segment are diammonium phosphate, or DAP, and monoammonium phosphate, or MAP.

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

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Our principal assets include:

six nitrogen fertilizer manufacturing facilities in Donaldsonville, Louisiana (the largest nitrogen fertilizer complex in North America), Medicine Hat, Alberta (the largest nitrogen fertilizer complex in Canada), Port Neal, Iowa, Courtright, Ontario, Yazoo City, Mississippi, and Woodward, Oklahoma;

a 75.3% interest in Terra Nitrogen Company, L.P. (TNCLP), a publicly traded limited partnership of which we are the sole general partner and the majority limited partner and which, through its subsidiary Terra Nitrogen, Limited Partnership (TNLP), operates a nitrogen fertilizer manufacturing facility in Verdigris, Oklahoma;

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

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

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

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

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

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

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

Items Affecting Comparability of Results

CFL Selling Price Modification

Prior to April 30, 2013, CF Industries, Inc. (CF Industries) owned 49% of the voting common shares and 66% of the non-voting preferred shares of Canadian Fertilizers Limited (CFL), an Alberta, Canada based nitrogen fertilizer manufacturer and had the right to purchase 66% of the production of CFL. Also prior to April 30, 2013, Viterro, Inc. (Viterro) held 34% of the equity ownership of CFL and had the right to purchase up to 34% of CFL's production. Both CF Industries and Viterro were entitled to receive distributions of net earnings of CFL based upon their respective purchases from CFL. CFL was a variable interest entity that was consolidated in our financial statements. On April 30, 2013, CF Industries completed the acquisitions of all of the outstanding interests in CFL that it did not already own and CFL became a wholly owned subsidiary of ours.

CF Industries' and Viterro's purchases of nitrogen fertilizer products from CFL were made under product purchase agreements, and the selling prices were determined under the provisions of these agreements. An initial selling price was paid to CFL based upon CFL's production cost plus an agreed-upon margin once title passed as the product was shipped. At the end of the year, the difference between the market price of products purchased from CFL and the price based on production cost plus an agreed-upon margin was paid to CFL. The sales revenue

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

attributable to this difference was accrued by us on an interim basis. Until April 30, 2013 when CFL became a wholly owned subsidiary in our financial statements, net sales and accounts receivable attributable to CFL

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

were solely generated by transactions with Viterra, as all transactions with CF Industries were eliminated in consolidation in our financial statements.

In the fourth quarter of 2012, the CFL Board of Directors approved amendments to the product purchase agreements retroactive to January 1, 2012 that modified the selling prices that CFL charged for products sold to Viterra and CF Industries which eliminated the requirement to pay to CFL the difference between the market price and the price based on production cost plus an agreed-upon margin. The following summarizes the selling prices in the product purchase agreements that impacted our results both before and after the effective date of the amendment.

For sales prior to October 1, 2012, our consolidated financial statements reflected the market based selling prices for products purchased from CFL, including sales made by CFL to Viterra.

For sales on or after October 1, 2012 and before April 30, 2013, CFL selling prices were based on production cost plus an agreed-upon margin.

Starting on April 30, 2013, CFL became a wholly owned subsidiary of CF Industries. Once CFL became a wholly owned subsidiary, CF Industries began purchasing all of the output of CFL for resale and reported those sales in its consolidated financial statements at market prices.

The selling price amendments to the product purchase agreements impact the comparability of our financial results. These changes affect the year-over-year comparability of net sales, gross margin, operating earnings, earnings before income taxes and net earnings attributable to noncontrolling interest for the first four months of 2013, but do not impact the comparability of our net earnings attributable to common stockholders or net cash flows for the same period.

In order to provide comparable information for the periods presented, certain financial information is being provided for the prior year comparable periods adjusted as if the current year CFL pricing calculation methodologies had been used in the prior year comparable period. For example, in the nine months ended September 30, 2013, CFL's sales are included in our consolidated financial results as follows. For the period January 1, 2013 to April 30, 2013, CFL's sales to Viterra are reflected at cost plus an agreed upon margin. For the period May 1, 2013 to September 30, 2013, CFL was a wholly owned subsidiary and all sales of CFL production purchased by CF Industries are included at market prices.

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). Management believes that the presentation in this report of non-GAAP financial measures of certain adjusted data and the period-to-period percentage changes in them, provides investors with additional meaningful information to assess period-to-period changes in our underlying operating performance. This includes net sales, gross margin, net earnings attributable to the noncontrolling interest, nitrogen net sales, nitrogen gross margin, nitrogen gross margin as a percentage of nitrogen net sales, and average selling prices per ton of ammonia and urea presented on an as adjusted basis as if all CFL sales to Viterra had been priced based on the modified pricing calculation methodology (production cost plus the agreed-upon margin) beginning January 1, 2012. These non-GAAP financial measures are provided only for the purpose of facilitating comparisons between the third quarters and nine month periods operating performance and do not purport to represent what our actual consolidated results of operations would have been had the amendment to the CFL product purchase agreements been in effect beginning on January 1, 2012, nor are they necessarily indicative of our future consolidated results of operations. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Net Operating Loss (NOL) Settlement

At the time of our Initial Public Offering (IPO) in 2005, we had accumulated a substantial amount of NOLs. Due to the uncertainty of realizing the tax benefit from the NOLs when we ceased to be a non-exempt cooperative for income tax purposes and became a public company, a full valuation allowance was recorded against the benefit of those NOLs. At that time, we entered into an agreement (NOL Agreement) with the pre-IPO owners under which they would benefit should any of the pre-IPO NOLs be realized in future years by using the NOLs to offset post-IPO taxable income. If this were to occur, we would pay the pre-IPO owners amounts equal to the resulting federal and state income taxes actually saved. At December 31, 2012, the NOLs had a potential tax benefit of \$94.3 million, which had been fully reserved by the valuation allowance.

In January 2013, we and the pre-IPO owners amended the NOL Agreement to provide, among other things, that we would be entitled to retain 26.9% of any settlement realized and 73.1% would be payable to them.

In March 2013, we entered into a Closing Agreement with the IRS to resolve the tax treatment of the pre-IPO NOLs. Pursuant to the Closing Agreement, we have agreed with the IRS that we will be entitled to a tax deduction equal to a portion of the NOLs over five years commencing with the 2012 tax year. The \$20.6 million net benefit from this NOL settlement was recognized in the first quarter of 2013 as follows:

NOL tax benefits of \$75.8 million were recognized, which reduced income tax expense.

A charge of \$55.2 million was recognized for the 73.1% portion of the NOL benefit that will be paid to the pre-IPO owners as the tax benefits are realized. The \$55.2 million charge is recognized in the consolidated statement of operations in Other non-operating net.

Financial Executive Summary

We reported net earnings attributable to common stockholders of \$234.1 million in the third quarter of 2013 compared to net earnings of \$403.3 million in the same quarter of 2012. Our results for the third quarter of 2013 included \$5.6 million of pre-tax unrealized mark-to-market losses (\$3.5 million after tax) on natural gas derivatives and \$22.1 million of realized and unrealized net gains (\$13.9 million after tax) on foreign currency derivatives related to our capacity expansion projects in Donaldsonville, Louisiana, and Port Neal, Iowa.

During the third quarter of 2013, we experienced lower net sales and net earnings as compared to the prior year quarter due to weakness in the global fertilizer markets. The lower earnings were due primarily to lower selling prices for both nitrogen and phosphate fertilizers, lower sales volume for nitrogen fertilizers and higher natural gas costs as compared to the prior year. The global decline in nitrogen selling prices was attributable to a combination of decreased demand in international markets, primarily due to reduced purchases in India, and increased supply, primarily from higher exports by China. The decline in phosphate selling prices reflected weaker demand from India in conjunction with greater supply from Saudi Arabia and China. Additionally, demand for both nitrogen and phosphate fertilizers was impacted by farmers' expectation of lower prices.

Diluted net earnings per share attributable to common stockholders decreased 36% to \$4.07 in the third quarter of 2013 from \$6.35 for the same quarter of 2012 due to lower earnings partially offset by a lower average number of outstanding common shares due to our share repurchase programs.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Net earnings attributable to common stockholders of \$403.3 million for the third quarter of 2012 included \$39.8 million of net pre-tax unrealized mark-to-market gains (\$24.7 million after tax) on natural gas derivatives and a \$10.9 million pre-tax curtailment gain (\$6.8 million after tax) from a reduction in certain retiree medical benefits.

Our gross margin declined by \$315.9 million, or 45%, to \$386.1 million in the third quarter of 2013 from \$702.0 million in the same quarter of 2012 due to lower nitrogen and phosphate segment results as a result of the lower prices and lower nitrogen sales volume.

In the nitrogen segment, gross margin decreased by \$280.2 million, or 44%, due primarily to lower prices, reduced volume and unrealized mark-to-market losses on natural gas derivatives in the current quarter compared to unrealized mark-to-market gains in the prior year third quarter.

In the phosphate segment, gross margin decreased \$35.7 million, or 56%, due primarily to lower prices, partially offset by lower raw material costs.

Our net sales decreased \$262.4 million, or 19%, in the third quarter of 2013 compared to the third quarter of 2012. In the nitrogen segment, net sales decreased by 20% due primarily to a 15% reduction in average selling price and a 6% decline in volumes. In the phosphate segment, net sales declined by 16% due primarily to an 18% decline in average selling prices, partially offset by a 2% increase in volume.

Net cash generated from operating activities during the first nine months of 2013 was \$1.4 billion as compared to \$2.0 billion in the first nine months of 2012. The \$525.0 million decline was due to the combination of lower net earnings and higher net working capital levels due primarily to lower customer advances as customers delayed product purchases.

Cash used in investing activity increased by \$509.9 million in the first nine months of 2013 to \$730.9 million as compared to \$221.0 million in the prior year period. The increase was due primarily to a \$371.5 million increase in capital expenditures and a \$111.4 million deposit into a restricted cash account, both primarily related to our capacity expansion projects in Donaldsonville, Louisiana and Port Neal, Iowa.

During the third quarter of 2013, we repurchased 0.7 million shares of our common stock for \$130.0 million. During the first nine months of 2013, we repurchased 5.8 million shares for \$1.1 billion.

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			
	2013	2012	2013 v. 2012		2013	2012	2013 v. 2012	
	(in millions, except per share amounts)							
Net sales ⁽¹⁾	\$ 1,097.0	\$ 1,359.4	\$ (262.4)	(19)%	\$ 4,148.4	\$ 4,622.6	\$ (474.2)	(10)%
Cost of sales	710.9	657.4	53.5	8%	2,222.0	2,165.5	56.5	3%
Gross margin ⁽¹⁾	386.1	702.0	(315.9)	(45)%	1,926.4	2,457.1	(530.7)	(22)%
Selling, general and administrative expenses	32.2	36.5	(4.3)	(12)%	121.0	111.6	9.4	8%
Other operating net	(20.3)	8.6	(28.9)	(336)%	(9.2)	41.7	(50.9)	(122)%
Total other operating costs and expenses	11.9	45.1	(33.2)	(74)%	111.8	153.3	(41.5)	(27)%
Equity in earnings of operating affiliates	11.2	10.2	1.0	10%	32.3	39.5	(7.2)	(18)%
Operating earnings	385.4	667.1	(281.7)	(42)%	1,846.9	2,343.3	(496.4)	(21)%
Interest expense	41.0	28.7	12.3	43%	112.4	104.9	7.5	7%
Interest income	(1.0)	(1.6)	0.6	(38)%	(4.1)	(2.0)	(2.1)	105%
Other non-operating net	(0.3)	(0.2)	(0.1)	50%	54.1	(0.9)	55.0	N/M
Earnings before income taxes and equity in earnings of non-operating affiliates	345.7	640.2	(294.5)	(46)%	1,684.5	2,241.3	(556.8)	(25)%
Income tax provision	109.0	206.0	(97.0)	(47)%	499.3	722.0	(222.7)	(31)%
Equity in earnings of non-operating affiliates net of taxes	7.2	23.9	(16.7)	(70)%	6.2	48.8	(42.6)	(87)%
Net earnings	243.9	458.1	(214.2)	(47)%	1,191.4	1,568.1	(376.7)	(24)%
Less: Net earnings attributable to noncontrolling interest ⁽¹⁾	9.8	54.8	(45.0)	(82)%	52.6	190.1	(137.5)	(72)%
Net earnings attributable to common stockholders	\$ 234.1	\$ 403.3	\$ (169.2)	(42)%	\$ 1,138.8	\$ 1,378.0	\$ (239.2)	(17)%
Diluted net earnings per share attributable to common stockholders	\$ 4.07	\$ 6.35	\$ (2.28)		\$ 19.01	\$ 21.19	\$ (2.18)	
Diluted weighted average common shares outstanding	57.5	63.5	(6.0)		59.9	65.0	(5.1)	
Dividends declared per common share	\$ 0.40	\$ 0.40	\$		\$ 1.20	\$ 1.20	\$	

N/M Not Meaningful

(1)

During the fourth quarter of 2012, the CFL selling prices to Viterra were modified to cost plus an agreed-upon margin from market-based pricing retroactive to January 1, 2012. In April 2013, CF Industries purchased the noncontrolling interests in CFL and CFL became a wholly owned subsidiary of CF Industries. These items impact the comparability of certain amounts between 2013 and 2012. To provide comparable information for 2013 and 2012, the table presented below under the heading "Impact of CFL Selling Price Modifications" presents certain financial information for the prior year comparable period as if the current year CFL pricing calculation methodology had been used in the comparable period.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.***Impact of CFL Selling Price Modifications*

As discussed in the Items Affecting Comparability of Results section of this discussion and analysis, in the fourth quarter of 2012, the CFL selling prices to Viterra were modified to cost plus an agreed-upon margin from market-based pricing retroactive to January 1, 2012. This change had no impact on our net earnings attributable to common stockholders as CFL was a consolidated variable interest entity prior to April 30, 2013. However, these changes impact the comparability of certain amounts between 2013 and 2012. On April 30, 2013, CF Industries acquired the noncontrolling interests in CFL and CFL became a wholly owned subsidiary of CF Industries.

The following table adjusts the nine months ended September 30, 2012 to be comparable to 2013 results.

	Three Months Ended September 30				Nine Months Ended September 30			
	2013	2012	2013 v. 2012		2013	2012	2013 v. 2012	
	(in millions)							
Net sales								
As reported	\$ 1,097.0	\$ 1,359.4	\$ (262.4)	(19)%	\$ 4,148.4	\$ 4,622.6	\$ (474.2)	(10)%
Impact of selling price adjustment						(57.9)	57.9	
As adjusted	\$ 1,097.0	\$ 1,359.4	\$ (262.4)	(19)%	\$ 4,148.4	\$ 4,564.7	\$ (416.3)	(9)%
Gross margin								
As reported	\$ 386.1	\$ 702.0	\$ (315.9)	(45)%	\$ 1,926.4	\$ 2,457.1	\$ (530.7)	(22)%
Impact of selling price adjustment						(57.9)	57.9	
As adjusted	\$ 386.1	\$ 702.0	\$ (315.9)	(45)%	\$ 1,926.4	\$ 2,399.2	\$ (472.8)	(20)%
Net earnings attributable to the noncontrolling interest								
As reported	\$ 9.8	\$ 54.8	\$ (45.0)	(82)%	\$ 52.6	\$ 190.1	\$ (137.5)	(72)%
Impact of selling price adjustment						(57.9)	57.9	
As adjusted	\$ 9.8	\$ 54.8	\$ (45.0)	(82)%	\$ 52.6	\$ 132.2	\$ (79.6)	(60)%

*Third Quarter of 2013 Compared to Third Quarter of 2012**Consolidated Operating Results*

Net sales and net earnings for the third quarter of 2013 declined from prior year levels due to weakness in global fertilizer markets, which was evidenced by slower buying activity and lower selling prices. Demand was impacted by farmers' expectation of lower prices. Higher exports by Chinese producers increased supply and weighed on global nitrogen prices. Increased supply of phosphate products by Saudi Arabia and China had a similar impact on phosphate prices.

Our gross margin decreased \$315.9 million, or 45%, to \$386.1 million in the third quarter of 2013 from \$702.0 million in the same quarter of 2012 reflecting declines in both the nitrogen and phosphate segments.

In the nitrogen segment, the gross margin decreased by \$280.2 million, or 44%, to \$358.4 million as compared to \$638.6 million in the third quarter of 2012 due primarily to a 15% decrease in average selling prices, a 6% decrease in volume, a 6% increase in realized natural gas costs, and \$5.6 million of

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

net unrealized mark-to-market losses on natural gas derivatives in the current year's quarter as compared to \$39.8 million of net unrealized mark-to-market gains in the third quarter of 2012.

In the phosphate segment, gross margin decreased by \$35.7 million, or 56%, to \$27.7 million in the third quarter of 2013 from \$63.4 million in the same period in 2012, due primarily to an 18% decline in average selling prices partially offset by a 2% increase in volume and lower raw material costs.

Net earnings attributable to common stockholders of \$234.1 million for the third quarter of 2013 included \$5.6 million of pre-tax unrealized mark-to-market losses (\$3.5 million after tax) on natural gas derivatives and \$22.1 million (\$13.9 million after tax) of net realized and unrealized gains on foreign currency derivatives. Net earnings in the third quarter of 2012 of \$403.3 million included \$39.8 million of net pre-tax unrealized mark-to-market gains (\$24.7 million after tax) on natural gas derivatives and a \$10.9 million pre-tax curtailment gain (\$6.8 million after tax) from a reduction in certain retiree medical benefits.

Net Sales

Net sales decreased 19% to \$1.1 billion in the third quarter of 2013 compared to the third quarter of 2012 with a 20% decrease in the nitrogen segment and a 16% decrease in the phosphate segment. These quarterly results were not impacted by the CFL selling price modification as our consolidated financial statements for both quarters reflect market based selling prices for products purchased from CFL.

In the nitrogen segment, net sales decreased by \$218.9 million, or 20%, due primarily to a 15% decrease in average selling prices and a 6% decrease in volume. The decrease in prices was due primarily to increased supply from China, while the decrease in volume was due to buyer expectations of even lower prices.

In the phosphate segment, net sales declined \$43.5 million, or 16%, due to an 18% decrease in average selling prices partially offset by a 2% increase in volume. The decrease in prices was due primarily to lower global demand, notably India, and increased supply from Saudi Arabia and China.

Cost of Sales

Cost of sales increased \$53.5 million, or 8%, from the third quarter of 2012 to the third quarter of 2013. Cost of sales per ton in our nitrogen segment averaged \$186 in the third quarter of 2013, a 21% increase over \$154 in the same quarter of 2012. The increase was due primarily to a 6% increase in realized natural gas costs and the mark-to-market adjustments related to natural gas derivatives, as the third quarter of 2013 included \$5.6 million of pre-tax unrealized mark-to-market losses while the third quarter of 2012 included \$39.8 million of pre-tax unrealized mark-to-market gains. Phosphate segment cost of sales averaged \$367 per ton in the third quarter of 2013 compared to \$388 per ton in the third quarter of the prior year. This 5% decrease was due primarily to lower raw material costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$4.3 million to \$32.2 million in the third quarter of 2013 from \$36.5 million in the same quarter of 2012 due primarily to lower corporate office costs including lower professional service fees for certain corporate initiatives.

Other Operating Net

Other operating net was \$20.3 million of income in the third quarter of 2013 compared to an \$8.6 million net expense in the same quarter of 2012. The third quarter of 2013 included \$22.1 million

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

of realized and unrealized net gains on foreign currency derivatives. The expense recorded in the third quarter of 2012 consisted primarily of costs associated with engineering studies for proposed capital projects at certain nitrogen complexes, and environmental remediation costs associated with a closed facility.

Equity in Earnings of Operating Affiliates

Equity in earnings of operating affiliates consists of our 50% share of the operating results of PLNL and our 50% interest in an ammonia storage joint venture located in Houston, Texas. Equity in earnings of operating affiliates was \$11.2 million in the third quarter of 2013 compared to \$10.2 million in the third quarter of 2012.

Interest Net

Net interest expense was \$40.0 million in the third quarter of 2013 compared to \$27.1 million in the third quarter of 2012. The \$12.9 million increase was due primarily to the \$1.5 billion of senior notes we issued during the second quarter of 2013, partially offset by higher capitalized interest in 2013 related to our capacity expansion projects.

Income Taxes

Our income tax provision for the third quarter of 2013 was \$109.0 million on pre-tax income of \$345.7 million, or an effective tax rate of 31.5%, compared to an income tax provision of \$206.0 million on pre-tax income of \$640.2 million, or an effective rate of 32.2% in the prior year's third quarter. The decrease in the effective tax rate in the third quarter of 2013 was due primarily to the impact of a change in the method of calculating depletion for income tax purposes. This was partially offset by the tax impact arising from the acquisition of the noncontrolling interests in CFL as described in Note 4 to our unaudited interim consolidated financial statements included in Part I of this report.

The effective tax rate does not reflect a tax provision on the earnings attributable to the noncontrolling interest in TNCLP (a partnership), which is not a taxable entity. For additional information on income taxes, see Note 11 to our audited consolidated financial statements included in our 2012 Annual Report on Form 10-K or Note 9 to our unaudited interim consolidated financial statements included in Part I of this report.

Equity in Earnings of Non-Operating Affiliates Net of Taxes

Equity in earnings of non-operating affiliates net of taxes consists of our share of the operating results of unconsolidated joint venture interests in GrowHow and Keytrade. The \$16.7 million decrease in the third quarter of 2013 compared to the third quarter of 2012 was due primarily to lower earnings at GrowHow due to higher natural gas costs and lower average selling prices in the United Kingdom.

Net Earnings Attributable to the Noncontrolling Interest

Net earnings attributable to noncontrolling interest decreased \$45.0 million in the third quarter of 2013 compared to the same period in 2012 due primarily to the April 30, 2013 purchase of the noncontrolling interests in CFL. Net earnings attributable to the noncontrolling interest for the third quarters of 2013 and 2012 also include the net earnings attributable to the 24.7% interest of the publicly held common units of TNCLP for the entire quarter. For additional information, see the section titled Items Affecting Comparability of Results earlier in this discussion and analysis.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Diluted Net Earnings Per Share Attributable to Common Stockholders

Diluted net earnings per share attributable to common stockholders decreased to \$4.07 in the third quarter of 2013 from \$6.35 in the third quarter of 2012 due to a decrease in net earnings attributable to common stockholders, partially offset by a decrease in the weighted average number of shares outstanding due to our share repurchase programs. During the third quarter of 2013, we repurchased 0.7 million shares of our common stock for \$130.0 million. During the first nine months of 2013, we repurchased 5.8 million shares for \$1.1 billion representing 9% of the shares outstanding at December 31, 2012.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Consolidated Operating Results

Our total gross margin decreased \$530.7 million, or 22%, to \$1.9 billion in the nine months ended September 30, 2013 from \$2.5 billion for the comparable period of 2012 reflecting decreases in both the nitrogen and phosphate segments. The gross margin was impacted by lower average CFL selling prices in the first nine months of 2013 as compared to the same period in 2012 due to the CFL selling price modification previously discussed. On an as adjusted basis, the gross margin decreased 20% from the prior year's comparable period.

In the nitrogen segment, the gross margin decreased by \$440.4 million, or 19%, to \$1.9 billion as compared to \$2.3 billion in the first nine months of 2012 due to a 3% decline in volume, a 7% decline in average selling prices, plus a 9% increase in realized natural gas costs and \$1.2 million of unrealized mark-to-market losses on natural gas derivatives in the current nine months as compared to \$61.5 million of gains in the same period of 2012. The 2013 nitrogen segment gross margin was also impacted by lower average CFL selling prices in 2013 as compared to the same period in 2012 due to the CFL selling price modification previously discussed. On an as adjusted basis, the gross margin for the nitrogen segment decreased 17%.

In the phosphate segment, gross margin decreased by \$90.3 million, or 55%, to \$73.2 million in the first nine months of 2013 from \$163.5 million in the same period in 2012, due primarily to an 8% decline in average selling prices, a 6% decline in sales volume and a 4% increase in cost of sales per ton as a result of higher production costs.

Net earnings attributable to common stockholders of \$1.1 billion for the first nine months of 2013 included \$1.2 million of pre-tax unrealized mark-to-market losses (\$0.7 million after tax) on natural gas derivatives, \$14.3 million (\$9.0 million after tax) of net realized and unrealized gains on foreign currency derivatives and a net \$20.6 million benefit from a settlement with the IRS concerning certain pre-IPO NOLs. Net earnings in the first nine months of 2012 of \$1.4 billion include \$61.5 million of pre-tax unrealized mark-to-market gains (\$38.2 million after tax) and a \$15.2 million charge (\$9.4 million after tax) for the accelerated amortization of deferred loan fees on our 2010 credit agreement that we replaced in May 2012 and a \$10.9 million pre-tax curtailment gain (\$6.8 million after tax) from a reduction in certain retiree medical benefits.

Net Sales

Net sales decreased 10% to \$4.1 billion for the first nine months of 2013 compared to \$4.6 billion in the comparable period of 2012 with decreases in both the nitrogen and phosphate segments. These results were impacted by lower average CFL selling prices in 2013 as compared to 2012 due to the CFL selling price modification. On an as adjusted basis, net sales decreased 9%.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

In the nitrogen segment, net sales decreased by \$371.9 million, or 10%, due primarily to a 7% decrease in average selling prices, including a 21% decrease in the average granular urea price, and a 3% decrease in total segment sales volume. The decline in urea prices was due to increased international supply from Chinese producers who benefited from reduced manufacturing costs. The decline in volume was due primarily to lower agricultural ammonia sales as a result of the cooler, wetter spring season, partially offset by an increase in UAN sales volume. The decrease in nitrogen segment net sales also was impacted by lower average CFL selling prices in 2013 as compared to 2012 due to the CFL selling price modification. On an as adjusted basis, net sales in the nitrogen segment decreased 8%.

In the phosphate segment, net sales declined \$102.3 million, or 14%, due to an 8% decline in average selling prices due to lower global demand and increased global supply. Volume decreased 6% due to lower export sales earlier in the year and weakness in global demand in the third quarter.

Cost of Sales

Cost of sales in the first nine months of 2013 increased 3% compared to the first nine months of 2012. Cost of sales per ton in our nitrogen segment averaged \$175 in the first nine months of 2013 compared to \$163 in the comparable period of 2012. This 7% increase was due primarily to a 9% increase in realized natural gas costs and \$1.2 million of net unrealized mark-to-market losses on natural gas derivatives in the current year compared to \$61.5 million of net unrealized mark-to-market gains in the prior year. Phosphate segment cost of sales averaged \$400 per ton in the first nine months of 2013 compared to \$385 per ton in the prior year. This 4% increase was due primarily to higher production costs and the prior year impact of a curtailment gain from a reduction in certain retiree medical benefits.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$9.4 million to \$121.0 million in the first nine months of 2013 from \$111.6 million in the comparable period of 2012 due primarily to higher corporate office costs, including costs associated with certain information technology development activities and the implementation and incremental amortization of the costs of a new enterprise resource planning system.

Other Operating Net

Other operating net was income of \$9.2 million in the first nine months of 2013 compared to a \$41.7 million expense in the comparable period of 2012. The income recorded in the current period included \$20.2 million of realized and unrealized gains on foreign currency derivatives and foreign currency transactions, partially offset by losses on disposals of property, plant and equipment and costs related to the capacity expansion projects. The expense recorded in the first nine months of 2012 consisted primarily of costs associated with engineering studies for proposed capital projects at certain nitrogen complexes, foreign exchange costs, and environmental remediation costs associated with a closed facility and losses on disposals of property, plant and equipment.

Equity in Earnings of Operating Affiliates

Equity in earnings of operating affiliates consists of our 50% share of the operating results of PLNL and our 50% interest in an ammonia storage joint venture located in Houston, Texas. Equity in earnings of operating affiliates was \$32.3 million in the first nine months of 2013 as compared to

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

\$39.5 million in the comparable period of 2012. The decrease was due primarily to lower earnings from PLNL due to lower shipments and increased production costs.

Interest Net

Net interest expense was \$108.3 million in the first nine months of 2013 compared to \$102.9 million in the first nine months of 2012. The \$5.4 million increase in net expense was due primarily to the \$1.5 billion of senior notes we issued during the second quarter of 2013 and an increase in interest on tax liabilities, partially offset by the recognition in 2012 of \$15.2 million of accelerated amortization of deferred fees on the 2010 credit agreement that was terminated in May 2012 and a higher portion of interest being capitalized in 2013 because of our capacity expansion projects.

Other Non-Operating Net

Other non-operating net was a net expense of \$54.1 million in the first nine months of 2013 compared to income of \$0.9 million in the first nine months of 2012. The expense recognized in the first nine months of 2013 includes a \$55.2 million expense accrual for amounts owed to our pre-IPO owners under the amended NOL agreement resulting from the settlement reached with the IRS during the first quarter of 2013. See the section titled Items Affecting Comparability of Results above and the discussion of Income Taxes below for further information.

Income Taxes

Our income tax provision for the first nine months of 2013 was \$499.3 million on pre-tax income of \$1.7 billion, or an effective tax rate of 29.6%, compared to an income tax provision of \$722.0 million on pre-tax income of \$2.2 billion and an effective rate of 32.2% in the prior year. The decline in the effective tax rate in the first nine months of 2013 was due primarily to the effects of our settlement with the IRS in the first quarter, which enabled us to recognize a \$75.8 million tax benefit related to the utilization of our pre-IPO NOLs, partially offset by the tax impact arising from the modification of CFL selling prices as described in Note 4 to our unaudited interim consolidated financial statements included in Part I of this report and the April 30, 2013 purchase of the noncontrolling interests in CFL. The \$75.8 million tax benefit is partially offset by a \$55.2 million expense recorded in Other non-operating net, reflecting the amount of this tax benefit that is payable to our pre-IPO owners. The effective tax rate for the first nine months of 2013 excluding the \$75.8 million discrete tax benefit related to these NOLs and the \$55.2 million amount payable to our pre-IPO owners was 33.1%. See further discussion of the utilization of the pre-IPO NOLs in the section titled Items Affecting Comparability of Results earlier in this discussion and analysis and Note 9 to our unaudited interim consolidated financial statements included in Part I of this report.

The effective tax rate does not reflect a tax provision on the earnings attributable to the noncontrolling interest in TNCLP (a partnership), which is not a taxable entity. For additional information on income taxes, see Note 11 to our audited consolidated financial statements included in our 2012 Annual Report on Form 10-K or Note 9 to our unaudited interim consolidated financial statements included in Part I of this report.

Equity in Earnings of Non-Operating Affiliates Net of Taxes

Equity in earnings of non-operating affiliates net of taxes consists of our share of the operating results of unconsolidated joint venture interests in GrowHow and Keytrade. The \$42.6 million decrease in the first nine months of 2013 compared to the first nine months of 2012 was due primarily to lower

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

earnings from GrowHow reflecting higher natural gas costs and lower sales due to reduced demand in the United Kingdom, in addition to an \$11.1 million insurance settlement that was received in 2012.

Net Earnings Attributable to the Noncontrolling Interest

Net earnings attributable to the noncontrolling interest for the first nine months of 2013 and 2012 included the net earnings attributable to the 24.7% interest of the publicly held common units of TNCLP. Net earnings attributable to the noncontrolling interest for the first four months of 2013 and the first nine months of 2012 also included the interest of the 34% holder of CFL's equity ownership. On April 30, 2013 we purchased the noncontrolling interests of CFL which is the primary reason for the \$137.5 million decrease in earnings attributable to noncontrolling interest. For additional information on the CFL selling price modification, see the section titled Items Affecting Comparability of Results earlier in this discussion and analysis.

Diluted Net Earnings Per Share Attributable to Common Stockholders

Diluted net earnings per share attributable to common stockholders decreased 10% to \$19.01 in the first nine months of 2013 from \$21.19 in the first nine months of 2012 due to a decrease in net earnings attributable to common stockholders partially offset by a decrease in the weighted average number of shares outstanding due to our share repurchase programs. During the first nine months of 2013, we repurchased 5.8 million shares for \$1.1 billion representing 9% of the shares outstanding at December 31, 2012.

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			
	2013	2012	2013 v. 2012		2013	2012	2013 v. 2012	
	(in millions, except as noted)							
Net sales ⁽¹⁾	\$ 876.3	\$ 1,095.2	\$ (218.9)	(20)%	\$ 3,499.1	\$ 3,871.0	\$ (371.9)	(10)%
Cost of sales	517.9	456.6	61.3	13%	1,645.9	1,577.4	68.5	4%
Gross margin ⁽¹⁾	\$ 358.4	\$ 638.6	\$ (280.2)	(44)%	\$ 1,853.2	\$ 2,293.6	\$ (440.4)	(19)%
Gross margin percentage ⁽¹⁾	40.9%	58.3%			53.0%	59.3%		
Tons of product sold (000s)	2,781	2,957	(176)	(6)%	9,385	9,690	(305)	(3)%
Sales volume by product (000s)								
Ammonia	401	416	(15)	(4)%	1,568	1,881	(313)	(17)%
Granular urea	548	559	(11)	(2)%	1,895	2,011	(116)	(6)%
UAN	1,436	1,603	(167)	(10)%	4,703	4,631	72	2%
AN	200	206	(6)	(3)%	642	702	(60)	(9)%
Other nitrogen products	196	173	23	13%	577	465	112	24%
Average selling price per ton by product								
Ammonia ⁽¹⁾	\$ 527	\$ 622	\$ (95)	(15)%	\$ 637	\$ 619	\$ 18	3%
Granular urea ⁽¹⁾	338	470	(132)	(28)%	380	484	(104)	(21)%
UAN	274	296	(22)	(7)%	316	308	8	3%
AN	231	261	(30)	(11)%	259	259		0%
Cost of natural gas (per MMBtu) ⁽²⁾	\$ 3.54	\$ 3.34	\$ 0.20	6%	\$ 3.63	\$ 3.32	\$ 0.31	9%
Average daily market price of natural gas (per MMBtu) Henry Hub (Louisiana)	\$ 3.55	\$ 2.87	\$ 0.68	24%	\$ 3.69	\$ 2.53	\$ 1.16	46%
Depreciation and amortization	\$ 78.4	\$ 83.7	\$ (5.3)	(6)%	\$ 245.7	\$ 250.6	\$ (4.9)	(2)%
Capital expenditures	\$ 222.0	\$ 83.6	\$ 138.4	166%	\$ 581.5	\$ 192.5	\$ 389.0	202%
Production volume by product (000s)								
Ammonia ⁽³⁾	1,680	1,761	(81)	(5)%	5,165	5,315	(150)	(3)%
Granular urea	580	622	(42)	(7)%	1,818	1,983	(165)	(8)%
UAN (32%)	1,445	1,499	(54)	(4)%	4,680	4,456	224	5%
AN	211	205	6	3%	654	688	(34)	(5)%

(1) During the fourth quarter of 2012, the CFL selling prices to Viterra were modified to cost plus an agreed-upon margin from market-based pricing retroactive to January 1, 2012. In April 2013, CF Industries purchased the noncontrolling interests in CFL and CFL became a wholly owned subsidiary of CF Industries. These items do not impact the comparability of amounts between the third quarter of 2013 and the third quarter of 2012, but do affect the comparability of certain amounts between the first nine months of 2013 and the first nine months of 2012. To provide comparable information for the first nine months of 2012, the table presented below under the heading "Impact of CFL Selling Price Modifications" presents certain financial information for the prior year comparable period as if the current year CFL pricing calculation methodology had been used in the comparable 2012 periods.

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

(3) Gross ammonia production, including amounts subsequently upgraded into other nitrogen products.

Impact of CFL Selling Price Modifications

As discussed in the Items Affecting Comparability of Results section of this discussion and analysis, in the fourth quarter of 2012, the CFL selling prices to Viterra were modified to cost plus an agreed-upon margin from market-based pricing in the prior periods. This change had no

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

impact on our net earnings attributable to common stockholders as CFL was a consolidated variable interest entity prior to April 30, 2013. However, these changes impact the comparability of certain amounts between 2013 and 2012. On April 30, 2013, CF Industries acquired the noncontrolling interests in CFL and CFL became a wholly owned subsidiary of CF Industries.

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The table below adjusts prior year nitrogen segment data for the impact of the change in CFL pricing calculation methodology to be comparable to current year results.

	Three Months Ended September 30				Nine Months Ended September 30,			
	2013	2012	2013 v. 2012		2013	2012	2013 v. 2012	
(in millions, except as noted)								
Net sales								
As reported	\$ 876.3	\$ 1,095.2	\$ (218.9)	(20)%	\$ 3,499.1	\$ 3,871.0	\$ (371.9)	(10)%
Impact of selling price adjustment						(57.9)	57.9	
As adjusted	\$ 876.3	\$ 1,095.2	\$ (218.9)	(20)%	\$ 3,499.1	\$ 3,813.1	\$ (314.0)	(8)%
Gross margin								
As reported	\$ 358.4	\$ 638.6	\$ (280.2)	(44)%	\$ 1,853.2	\$ 2,293.6	\$ (440.4)	(19)%
Impact of selling price adjustment						(57.9)	57.9	
As adjusted	\$ 358.4	\$ 638.6	\$ (280.2)	(44)%	\$ 1,853.2	\$ 2,235.7	\$ (382.5)	(17)%
Gross margin percentage								
As reported	40.9%	58.3%			53.0%	59.3%		
Impact of selling price adjustment						(0.7)		
As adjusted	40.9%	58.3%			53.0%	58.6%		
Average selling price per ton by product								
Ammonia								
As reported	\$ 527	\$ 622	\$ (95)	(15)%	\$ 637	\$ 619	\$ 18	3%
Impact of selling price adjustment						(15)	15	
As adjusted	\$ 527	\$ 622	\$ (95)	(15)%	\$ 637	\$ 604	\$ 33	6%
Granular urea								
As reported	\$ 338	\$ 470	\$ (132)	(28)%	\$ 380	\$ 484	\$ (104)	(21)%
Impact of selling price adjustment						(14)	14	
As adjusted	\$ 338	\$ 470	\$ (132)	(28)%	\$ 380	\$ 470	\$ (90)	(19)%

Third Quarter of 2013 Compared to Third Quarter of 2012

Net Sales. Net sales in the nitrogen segment decreased \$218.9 million, or 20%, in the third quarter of 2013 from the third quarter of 2012 due primarily to a 15% decrease in average selling prices and a 6% decrease in sales volume. Average selling prices decreased to \$315 per ton in the third quarter of 2013 from \$370 per ton in the third quarter of 2012 including declines of 28% for urea, 15% for ammonia and 7% for UAN as compared to the prior year period. The decline in urea prices versus the prior year was primarily due to increased supply as a result of higher urea exports from Chinese producers during the low tariff export season who benefited from reduced manufacturing costs. The decline in ammonia prices versus the prior year was due to the combination of a weaker nitrogen pricing environment and higher domestic inventory levels at the beginning of this year's quarter as a

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

result of lower spring application compared to the 2012 third quarter. The decline in UAN prices versus the prior year was due primarily to higher global supply of nitrogen products.

The 6% decrease in nitrogen segment sales volume in the third quarter of 2013 compared to the third quarter of 2012 was due primarily to a 10% decrease in UAN volume shipped in the third quarter of 2013. Customers delayed purchases for the upcoming application season due to a decline in market selling prices and expectations for further declines. Lower domestic volume was partially offset by increased exports of ammonia, UAN, and ammonium nitrate during the quarter.

Cost of Sales. Cost of sales in the nitrogen segment averaged \$186 per ton in the third quarter of 2013 compared to \$154 per ton in the third quarter of 2012. This 21% increase was due primarily to a 6% increase in the realized cost of natural gas and a \$5.6 million unrealized net mark-to-market loss on natural gas derivatives in the current quarter compared to a \$39.8 million unrealized net gain in the prior year.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Net Sales. Nitrogen segment net sales decreased \$371.9 million, or 10%, to \$3.5 billion in the nine months ended September 30, 2013 compared to \$3.9 billion in the same period of last year, due to a 3% decrease in volume and a 7% decline in average selling prices. The net sales in 2013 were impacted by lower average CFL selling prices as compared to the adjusted sales in 2012 due to the CFL selling price modifications described earlier. On an as adjusted basis, net sales in the nitrogen segment declined 8%. Average nitrogen fertilizer selling prices decreased to \$373 per ton in the first nine months of 2013 from \$399 per ton in the first nine months of 2012, with a 21% decline in urea prices partially offset by price increases of 3% for ammonia and UAN as compared to the prior year period. The decline in the average granular urea selling price was due to increased international supply from Chinese producers. The higher average ammonia and UAN selling prices resulted from a strong order book and deliveries to customers in the first half of 2013.

Cost of Sales. Cost of sales in the nitrogen segment averaged approximately \$175 per ton in the nine months ended September 30, 2013 compared to \$163 per ton in the same period of 2012. The increase is due primarily to a 9% increase in the realized cost of natural gas and a \$1.2 million net unrealized mark-to-market loss on natural gas derivatives in the first nine months of 2013 compared to a net unrealized mark-to-market gain of \$61.5 million in the 2012 period.

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Phosphate Segment

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

	Three Months Ended September 30				Nine Months Ended September 30			
	2013	2012	2013 v. 2012		2013	2012	2013 v. 2012	
	(in millions, except as noted)							
Net sales	\$ 220.7	\$ 264.2	\$ (43.5)	(16)%	\$ 649.3	\$ 751.6	\$ (102.3)	(14)%
Cost of sales	193.0	200.8	(7.8)	(4)%	576.1	588.1	(12.0)	(2)%
Gross margin	\$ 27.7	\$ 63.4	\$ (35.7)	(56)%	\$ 73.2	\$ 163.5	\$ (90.3)	(55)%
Gross margin percentage	12.6%	24.0%			11.3%	21.8%		
Tons of product sold (000s)	526	517	9	2%	1,442	1,526	(84)	(6)%
Sales volume by product (000s)								
DAP	365	395	(30)	(7)%	1,085	1,187	(102)	(9)%
MAP	161	122	39	32%	357	339	18	5%
Domestic vs. export sales (000s)								
Domestic	273	360	(87)	(24)%	834	887	(53)	(6)%
Export	253	157	96	61%	608	639	(31)	(5)%
Average selling price per ton by product								
DAP	\$ 422	\$ 507	\$ (85)	(17)%	\$ 450	\$ 491	\$ (41)	(8)%
MAP	416	521	(105)	(20)%	452	496	(44)	(9)%
Depreciation, depletion and amortization	\$ 11.6	\$ 10.3	\$ 1.3	13%	\$ 38.5	\$ 32.8	\$ 5.7	17%
Capital expenditures	\$ 7.9	\$ 12.4	\$ (4.5)	(36)%	\$ 48.2	\$ 47.4	\$ 0.8	2%
Production volume by product (000s)								
Phosphate rock	941	909	32	4%	2,731	2,656	75	3%
Sulfuric acid	656	672	(16)	(2)%	1,940	1,908	32	2%
Phosphoric acid as P ₂ O ₅ ⁽¹⁾	240	259	(19)	(7)%	717	739	(22)	(3)%
DAP/MAP	476	515	(39)	(8)%	1,434	1,479	(45)	(3)%

(1) P₂O₅ is the basic measure of the nutrient content in phosphate fertilizer products.

Third Quarter of 2013 Compared to Third Quarter of 2012

Net Sales. Phosphate segment net sales decreased \$43.5 million, or 16%, to \$220.7 million in the third quarter of 2013 compared to \$264.2 million in the same period in 2012 due to an 18% decline in average selling prices partially offset by a 2% increase in volume. The average DAP selling price was down 17% from \$507 to \$422 per ton and the average MAP price was down 20% from \$521 to \$416 per ton due primarily to lower global demand, notably India. Phosphate segment sales volume of 526,000 tons in the third quarter of 2013 was 2% higher than in the third quarter of 2012 due primarily to increased exports.

Cost of Sales. The average phosphate segment cost of sales of \$367 per ton in the third quarter of 2013 was 5% lower than the \$388 per ton in the prior year due to lower raw material costs, primarily ammonia and sulfur.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Net Sales. Phosphate segment net sales decreased \$102.3 million, or 14%, to \$649.3 million in the first nine months of 2013 compared to \$751.6 million in the first nine months of 2012 due to an 8%

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

decline in the average selling price and a 6% decline in volume. Prices for the nine months ended September 30, 2013 declined compared to the prior year reflecting lower global demand and higher global supply. Our total volume of phosphate fertilizer sales of 1,442,000 tons in the first nine months of 2013 was 6% lower than in the same period of 2012 due to lower global demand.

Cost of Sales. Average phosphate segment cost of sales of \$400 per ton in the first nine months of 2013 was 4% above the \$385 per ton in the prior year period due to increases in production costs and the prior year impact of a curtailment gain from a reduction in certain retiree medical benefits.

Liquidity and Capital Resources

Our primary uses of cash are generally for operating costs, working capital, capital expenditures, debt service, investments, taxes, share repurchases and dividends. Our working capital requirements are affected by several factors, including demand for our products, selling prices, raw material costs, freight and storage costs and seasonal factors inherent in the business. Generally, our primary source of cash is cash from operations, which includes cash generated by customer advances. We may also from time to time access the capital markets or engage in borrowings under our credit agreement.

Cash and Cash Equivalents

We had cash and cash equivalents of \$2.3 billion as of September 30, 2013 and December 31, 2012, respectively.

Share Repurchase Programs

In the third quarter of 2012, our Board of Directors authorized a program to repurchase up to \$3.0 billion of CF Holdings common stock through December 31, 2016. In the third quarter of 2013, we repurchased 0.7 million shares for \$130.0 million. Repurchases in the first nine months of 2013 totaled 5.8 million shares for \$1.1 billion. Repurchases under this program may be made from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing, and amount of any repurchases will be determined by our management based on evaluation of market conditions, stock price, and other factors. In May 2013, we retired the 3.8 million shares of stock repurchased through April 30, 2013 under this program.

Capacity Expansion Projects and Restricted Cash

In November 2012, we announced that our Board of Directors had authorized expenditures of \$3.8 billion to construct new ammonia and urea/UAN plants at our Donaldsonville, Louisiana complex and new ammonia and urea plants at our Port Neal, Iowa complex. In combination, these two new facilities will be able to produce 2.1 million tons of gross ammonia per year and upgraded products ranging from 2.0 to 2.7 million tons of granular urea per year and up to 1.8 million tons of UAN 32% solution per year, depending on our choice of product mix. The \$3.8 billion cost estimate includes: engineering and design; equipment procurement; construction; associated infrastructure including natural gas connections and power supply; and product storage and handling systems. These plants will increase our product mix flexibility at Donaldsonville, improve our ability to serve upper-Midwest urea customers from our Port Neal location, and allow us to benefit from the favorable cost advantage of North American natural gas. All of these new facilities are scheduled to be on-stream by 2016. We expect to finance the capital expenditures through available cash and securities, cash generated from operations and borrowings. Total capitalized expenditures on these projects through September 30, 2013 were \$406.8 million, including \$286.0 million during the first nine months of 2013.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

We have retained engineering and procurement services from an affiliate of ThyssenKrupp Uhde (Uhde) for both the Donaldsonville, Louisiana and Port Neal, Iowa expansion projects. Under the terms of the engineering and procurement services contract, we have granted Uhde a security interest in a restricted cash account and maintain a cash balance in that account equal to the cancellation fees for procurement services and equipment that would arise if we were to cancel the projects. The amount in the account will change over time based on procurement costs and is projected to reach approximately \$375 million at certain points in time during construction. At September 30, 2013 there was \$111.4 million held in this account. At December 31, 2012, there was no cash held in this account. This restricted cash is not included in our cash and cash equivalents and is reported separately on our consolidated balance sheet and statement of cash flows.

Capital Spending

We make capital expenditures to sustain our asset base, to increase our capacity, to improve plant efficiency and to comply with various environmental, health and safety requirements. Capital expenditures totaled \$632.9 million in the first nine months of 2013 as compared to \$261.4 million in the first nine months of 2012. The increase in capital expenditures is primarily the result of the \$286.0 million spent on the two capacity expansion projects discussed above.

Projected Capital Spending

We expect capital expenditures to total approximately \$1.1 billion during 2013. Of this total, we estimate \$0.6 billion will be spent on the capacity expansion projects. For 2014, we estimate total capital expenditures to be in the range of \$2.5 billion, including \$2.0 billion for the capacity expansion projects and \$0.5 billion of sustaining capital expenditures. Planned capital expenditures are subject to change due to delays in regulatory approvals or permitting, unanticipated increases in the cost, changes in scope and completion time, performance of third parties, adverse weather, defects in materials and workmanship, labor or material shortages, transportation constraints, and other unforeseen difficulties.

Acquisitions of the Noncontrolling Interests in Canadian Fertilizers Limited

In 2012, we entered into agreements to acquire the 34% of CFL's common and preferred shares owned by Viterra, the product purchase agreement between CFL and Viterra, and the CFL common shares held by GROWMARK and La Coop fédérée for a total purchase price of approximately C\$0.9 billion. In April 2013, we completed the acquisitions. Since CFL was previously a consolidated variable interest entity, the purchase price was recognized as follows: a \$0.8 billion reduction in paid in capital; a \$0.1 billion deferred tax asset; and the removal of the CFL noncontrolling interest. CFL is now a wholly owned subsidiary and we are entitled to purchase 100% of CFL's ammonia and granular urea production. For additional information, see Note 4 to our unaudited interim consolidated financial statements included in Part 1 of this report.

Debt

Credit Agreement

On April 22, 2013, we amended and restated the CF Holdings credit agreement (Credit Agreement) increasing the revolving credit facility from \$500 million to \$1.0 billion and extending the maturity from May 1, 2017 to May 1, 2018. All obligations under the Credit Agreement are unsecured. Currently, CF Holdings is the only guarantor of CF Industries' obligations under the Credit Agreement. Certain of CF Industries' material domestic subsidiaries would be required to become guarantors under the Credit Agreement if such subsidiary were to guarantee our other debt or CF Industries' debt in

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

excess of \$350 million. As of September 30, 2013, \$995.1 million was available for borrowing under our Credit Agreement, net of \$4.9 million of outstanding letters of credit, and there were no outstanding borrowings.

Our Credit Agreement includes representations, warranties, covenants and events of default, including requirements that we maintain a minimum interest coverage ratio and not exceed a maximum total leverage ratio, as well as other customary covenants and events of default. Our senior notes indentures also include certain covenants and events of default. As of September 30, 2013, we were in compliance with all covenants under the Credit Agreement and the senior notes indentures.

Senior Notes

At September 30, 2013 and December 31, 2012, we had \$3.1 billion and \$1.6 billion of senior notes outstanding, respectively, with maturities ranging from 2018 through 2043 as follows:

Senior Notes due 2018 and 2020

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

Under the supplemental indentures governing the 2018/2020 Notes, the 2018/2020 Notes are guaranteed by CF Holdings. In addition, in the event that a subsidiary of ours, other than CF Industries, becomes a borrower or a guarantor under the Credit Agreement (or any renewal, replacement or refinancing thereof), such subsidiary would be required to become a guarantor of the 2018/2020 Notes.

Senior Notes due 2023 and 2043

On May 23, 2013, CF Industries issued \$750 million aggregate principal amount of 3.450% senior notes due June 1, 2023 and \$750 million aggregate principal amount of 4.950% senior notes due June 1, 2043 (the 2023/2043 Notes). Interest is paid semiannually on June 1 and December 1 and the 2023/2043 Notes are redeemable at our option, in whole at any time or in part from time to time, at specified make-whole redemption prices. We received net proceeds of approximately \$1.48 billion from the issuance and sale of the 2023/2043 Notes, after deducting underwriting discounts and offering expenses.

Under the supplemental indentures governing the 2023/2043 Notes, the 2023/2043 Notes are guaranteed by CF Holdings. In addition, in the event that a subsidiary of ours, other than CF Industries, becomes a borrower or a guarantor under the Credit Agreement (or any renewal, replacement or refinancing thereof), such subsidiary would be required to become a guarantor of the 2023/2043 Notes, provided that such requirement will no longer apply following the repayment of both issues of the 2018/2020 Notes or the subsidiaries of ours, other than CF Industries, otherwise become no longer subject to such a requirement to guarantee the 2018/2020 Notes.

Forward Sales and Customer Advances

We offer our customers the opportunity to purchase product on a forward basis at prices and on delivery dates we propose. We also use derivative financial instruments to reduce our exposure to changes in prices for natural gas that will be purchased in the future. Natural gas is the largest and

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

most volatile component of our manufacturing cost for nitrogen-based fertilizers. As a result of using derivative instruments to hedge against movements of future prices of natural gas, volatility in reported quarterly earnings can result from the unrealized mark-to-market adjustments in the value of the derivatives. Additionally, our reported fertilizer selling prices and margins may differ from market spot prices and margins available at the time of shipment. Unlike nitrogen fertilizer products sold under forward sales contracts, we typically are unable to use hedges to reduce our exposure to raw material price changes for components of our phosphate manufacturing cost, the largest of which are sulfur and ammonia. As a result, we typically are exposed to margin risk on phosphate products sold on a forward basis.

Customer advances, which typically represent a portion of the contract's sales value, are received shortly after the contract is executed, with any remaining unpaid amount generally being collected by the time the product is shipped, thereby reducing or eliminating the accounts receivable related to such sales. Any cash payments received in advance from customers in connection with forward sales contracts are reflected on our consolidated balance sheets as a current liability until the related orders are shipped and revenue is recognized. As of September 30, 2013 and December 31, 2012, we had \$433.3 million and \$380.7 million, respectively, in customer advances on our consolidated balance sheets.

While customer advances are generally a significant source of liquidity, the level of forward sales contracts is affected by many factors including current market conditions and our customers' outlook of future market fundamentals. If the level of sales under our forward sales programs were to decrease in the future, our cash received from customer advances would likely decrease and our accounts receivable balances would likely increase. Also, borrowing under our Credit Agreement could become necessary. Due to the volatility inherent in our business and changing customer expectations, we cannot estimate the amount of future forward sales activity.

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

Derivative Financial Instruments

We use derivative financial instruments to reduce our exposure to changes in commodity prices and foreign currency exchange rates. Derivatives expose us to counterparties and the risks associated with their ability to meet the terms of the contracts. 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 that are either large oil and gas companies or large financial institutions and, in most cases, the use of master netting arrangements.

The master netting arrangements to most of our derivative instruments contain credit-risk-related contingent features with sliding-scale credit support thresholds that are dependent upon the ratings assigned to our long-term unsecured debt by certain credit rating agencies. Downgrades in our credit ratings could cause the applicable threshold levels to increase. If our net liability positions with the counterparties exceed the threshold amounts, those counterparties could require cash collateral, some other form of credit support, or daily cash settlement of unrealized losses.

As of September 30, 2013 and December 31, 2012, the aggregate fair value of the derivative instruments with credit-risk-related contingent features in net liability positions was \$3.8 million and \$0.9 million, respectively, which also approximates the fair value of the maximum amount of additional

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

collateral that would need to be posted or assets needed to settle the obligations if the credit-risk-related contingent features were triggered at the reporting dates. As of September 30, 2013, we had open natural gas derivative contracts for 66.7 million MMBtus and the notional amount of our open foreign currency derivatives was \$727.8 million. At both September 30, 2013 and December 31, 2012, we had no cash collateral on deposit with counterparties for derivative contracts.

Other Liquidity Requirements

We are subject to federal, state and local laws and rules concerning surface and underground waters. Such rules evolve through various stages of proposal or development and the ultimate outcome of such rulemaking activities often cannot be predicted prior to enactment. At the present time, rules in the State of Florida are being developed to limit nutrient content in water discharges, including certain specific rules pertaining to water bodies near our Florida operations. Additional information regarding numeric nutrient criteria regulations in surface and ground water can be found in Note 18 to our unaudited interim consolidated financial statements included in Part 1 of this report. We are monitoring the evolution of these rules. Potential costs associated with compliance cannot be determined currently and we cannot reasonably estimate the impact on our financial position, results of operations or cash flows.

We contributed \$4.6 million to our pension plans in the nine months ended September 30, 2013. We expect to contribute approximately \$2.2 million to our pension plans over the remainder of 2013.

Cash Flows

Operating Activities

Net cash generated from operating activities during the first nine months of 2013 was \$1.4 billion as compared to \$2.0 billion in the first nine months of 2012. The \$525.0 million decline in cash generated from operating activities was due to the combination of lower net earnings during the first nine months of 2013 as compared to the first nine months of 2012 and additional cash invested in net working capital. During the first nine months of 2013, \$312.7 million more was invested in net working capital than in the first nine months of 2012 due primarily to lower customer advances as customers delayed product purchases.

Investing Activities

Net cash used in investing activities was \$730.9 million in the first nine months of 2013 compared to \$221.0 million in the same period of 2012. Cash used in investing activities in 2013 included \$632.9 million in capital expenditures and \$111.4 million transferred to a restricted cash account in support of the capacity expansion projects discussed above. The cash used in investing activities in the first nine months of 2012 was primarily for \$261.4 million of capital expenditures partially offset by \$31.0 million of proceeds from sales and maturities of short-term investments and auction rate securities.

Financing Activities

Net cash used in financing activities was \$665.3 million in the first nine months of 2013 compared to \$720.1 million in the same period of 2012. In May 2013, CF Industries issued senior notes and received proceeds of approximately \$1.5 billion. Cash used in financing activities in 2013 included \$918.7 million to acquire the noncontrolling interests in CFL. We repurchased 5.8 million shares of our common stock in the first nine months of 2013 for \$1.1 billion in cash. In the first nine months of 2012, we repurchased 3.1 million shares of our common stock for \$500.0 million. Dividends paid on common

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

stock were \$71.9 million and \$77.4 million in the first nine months of 2013 and 2012, respectively. We also distributed \$64.4 million and \$212.8 million to noncontrolling interests in the first nine months of 2013 and 2012, respectively. The decrease in distributions to noncontrolling interests was due to the modification to CFL selling prices in the fourth quarter of 2012, which impacted the payments made in 2013.

Obligations*Contractual Obligations*

The following is a summary of our contractual obligations as of September 30, 2013:

	2013	2014	2015	2016	2017	After 2017	Total
	(in millions)						
Contractual Obligations							
Debt							
Long-term debt ⁽¹⁾	\$	\$	\$	\$	\$	\$ 3,100.0	\$ 3,100.0
Interest payments on long-term debt ⁽¹⁾	89.5	177.6	177.6	177.6	177.6	1,259.9	2,059.8
Other Obligations							
Operating leases	23.1	71.5	53.3	47.5	37.5	107.3	340.2
Equipment purchases and plant improvements	140.3	61.6	0.9				202.8
Capacity expansion projects ⁽²⁾	159.2	330.2	51.0	1.9			542.3
Transportation ⁽³⁾	24.7	36.5	29.4	28.7	20.3	130.4	270.0
Purchase obligations ⁽⁴⁾⁽⁵⁾	145.0	329.8	179.9	148.1	145.0	110.1	1,057.9
Contributions to Pension Plans ⁽⁶⁾	2.2						2.2
Net Operating Loss Settlement ⁽⁷⁾	13.5	10.4	10.4	10.4	10.5		55.2
Total⁽⁸⁾	\$ 597.5	\$ 1,017.6	\$ 502.5	\$ 414.2	\$ 390.9	\$ 4,707.7	\$ 7,630.4

(1) Based on debt balances before discounts, offering expenses and interest rates as of September 30, 2013.

(2) We expect to spend approximately \$0.6 billion during 2013 related to the \$3.8 billion Donaldsonville and Port Neal capacity expansion projects expected to be completed by 2016. Contractual commitments do not include any amounts related to our foreign currency derivatives. For further information, see our previous discussion under Capacity Expansion Projects and Restricted Cash in the Liquidity and Capital Resources section.

(3) Includes anticipated expenditures under certain contracts to transport raw materials and finished product to and from our facilities. The majority of these arrangements allow for reductions in usage based on our actual operating rates. Amounts set forth above are based on projected normal operating rates and contracted or current spot prices, where applicable, as of September 30, 2013 and actual operating rates and prices may differ.

(4) Includes minimum commitments to purchase natural gas based on prevailing market-based forward prices at September 30, 2013. Purchase obligations do not include any amounts related to our natural gas derivatives.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

- (5) Includes a commitment to purchase ammonia from PLNL at market-based prices under an agreement that expires in 2018. The annual commitment based on market prices at September 30, 2013 is \$137.3 million with a total remaining commitment of \$686.4 million.
- (6) Represents the contributions we expect to make to our pension plans during the remainder of 2013. Our pension funding policy is to contribute amounts sufficient to meet minimum legal funding requirements plus discretionary amounts that we may deem to be appropriate.
- (7) Represents the amounts we expect to pay to our pre-IPO owners in conjunction with the amended NOL Agreement and the 2013 settlement with the IRS. See Note 9 to our unaudited interim consolidated financial statements for further discussion of this matter.
- (8) Excludes \$98.9 million of unrecognized tax benefits due to the uncertainty in the timing of potential tax payments.

Subsequent Events

CF Industries announced on October 28th that it has entered into a set of strategic agreements with the Mosaic Company (Mosaic). The agreements include: a definitive agreement to sell the entirety of CF Industries' phosphate mining and manufacturing business to Mosaic for cash consideration of \$1.4 billion, subject to adjustment; a long-term agreement under which we will supply Mosaic with between 600,000 and 800,000 tons of ammonia per year from its Donaldsonville, LA nitrogen complex beginning no later than 2017; and an agreement to provide ammonia to Mosaic from our Point Lisas Nitrogen Ltd. (PLNL) joint venture beginning at the close of the phosphate business sale.

The phosphate sale includes: the Hardee County Phosphate Rock Mine; the Plant City Phosphate Complex; an ammonia terminal, phosphate warehouse and dock at the Port of Tampa; and the site of the former Bartow Phosphate Complex. In addition, Mosaic is assuming liabilities related to the phosphate business, including responsibility for closure, long-term maintenance and monitoring of the phosphogypsum stacks at the Plant City and Bartow complexes. CF Industries is also transferring to Mosaic the value of its asset retirement obligation trust and escrow funds totaling approximately \$200 million.

Under the long-term ammonia supply agreement, beginning no later than 2017 CF Industries will supply between 600,000 and 800,000 tons of ammonia per year for up to 15 years from its Donaldsonville nitrogen complex for Mosaic's use in phosphate production. The ammonia price will be based on the cost of natural gas delivered to Donaldsonville.

Following the close of the sale of the phosphate business, CF Industries will sell ammonia produced by our 50% owned PLNL ammonia production facility in the Republic of Trinidad and Tobago to Mosaic for use in phosphate production. Pricing under this supply agreement will be similar to that in the existing agreement under which CF Industries purchases ammonia from PLNL.

The phosphate business sale transaction is subject to customary closing conditions and regulatory clearances, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Act and approval from the applicable governmental agencies under CF's consent decree with respect to certain environmental matters related to the phosphate business. The sale is expected to close in 2014. The Donaldsonville ammonia agreement is not conditional on the phosphate sale transaction and will go into effect beginning no later than 2017. The Trinidad ammonia agreement is conditional on and goes into effect at the closing of the phosphate sale transaction.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Off-Balance Sheet Arrangements

We have operating leases for certain property and equipment under various noncancelable agreements, the most significant of which are rail car leases and barge tow charters for the transportation of fertilizer. The rail car leases currently have minimum terms ranging from one to ten years and the barge charter commitments currently have terms ranging from one to seven years. We also have terminal and warehouse storage agreements for our distribution system, some of which contain minimum throughput requirements. The storage agreements contain minimum terms ranging from one to three years and commonly contain automatic annual renewal provisions thereafter unless canceled by either party. See Note 23 to our consolidated financial statements included in our 2012 Annual Report on Form 10-K for additional information concerning leases.

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

Critical Accounting Policies and Estimates

There were no changes to our significant accounting policies or estimates during the first nine months of 2013.

Recent Accounting Pronouncements

See Note 3 to our unaudited interim consolidated financial statements for a discussion of recent accounting pronouncements.

FORWARD LOOKING STATEMENTS

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

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" in Item 1A in our 2012 Annual Report on Form 10-K, filed with the SEC on February 27, 2013. Such factors include, among others:

the volatility of natural gas prices in North America;

the cyclical nature of our business and the agricultural sector;

the global commodity nature of our fertilizer products, the impact of global supply and demand on our selling prices, and the intense global competition from other fertilizer producers;

conditions in the U.S. agricultural industry;

reliance on third party providers of transportation services and equipment;

risks associated with cyber security;

weather conditions;

our ability to complete our production capacity expansion projects on schedule as planned, on budget or at all;

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

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

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

future regulatory restrictions and requirements related to greenhouse gas emissions;

the seasonality of the fertilizer business;

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

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

Edgar Filing: CF Industries Holdings, Inc. - Form 10-Q

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

our reliance on a limited number of key facilities;

risks associated with joint ventures;

acts of terrorism and regulations to combat terrorism;

difficulties in securing the supply and delivery of raw materials, increases in their costs or delays or interruptions in their delivery;

risks associated with international operations;

losses on our investments in securities;

deterioration of global market and economic conditions;

our ability to manage our indebtedness; and

loss of key members of management and professional staff; and

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

risks and uncertainties arising from the possibility that the proposed transactions with Mosaic may be delayed or may not occur, including delays arising from any ability to obtain governmental approvals of the transactions; the risk that other conditions to the closing of the proposed transactions with Mosaic may not be satisfied; difficulties with realization of the benefits of the proposed transactions with Mosaic; the risk that disruptions from the proposed transactions with Mosaic will harm relationships with customers, employees and suppliers.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

Commodity Prices

Our net sales, cash flows and estimates of future cash flows related to fertilizer sales are sensitive to changes in fertilizer prices as well as changes in the prices of natural gas and other raw materials unless these costs have been fixed or hedged. A \$1.00 per MMBtu change in the price of natural gas would change the cost to produce a ton of ammonia, granular urea and UAN (32%) by approximately \$33, \$22 and \$14, respectively.

Natural gas is the largest and most volatile component of the manufacturing cost for nitrogen-based fertilizers. We manage the risk of changes in natural gas prices primarily through the use of derivative financial instruments covering periods of generally less than 18 months. The derivative instruments that we use are primarily natural gas fixed price swaps and call options. These derivatives settle using 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 natural gas purchases during those future periods.

At September 30, 2013 and December 31, 2012, we had open derivative contracts for 66.7 million MMBtus and 58.9 million MMBtus, respectively. A \$1.00 per MMBtu increase in the forward curve prices of natural gas at September 30, 2013 would result in a favorable change in the fair value of these derivative positions of \$46.4 million, and a \$1.00 per MMBtu decrease in the forward curve prices of natural gas would change their fair value unfavorably by \$46.4 million.

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

Interest Rate Fluctuations

At September 30, 2013, we had four series of senior notes totaling \$3.1 billion outstanding with maturity dates of May 1, 2018, May 1, 2020, June 1, 2023 and June 1, 2043. The senior notes have fixed interest rates. The fair value of our senior notes outstanding at September 30, 2013 was approximately \$3.3 billion. Borrowings under our Credit Agreement bear a current market rate of interest and we are subject to interest rate risk on such borrowings. However, in 2013, there were no borrowings under that agreement.

Foreign Currency Exchange Rates

Since the fourth quarter of 2012, we have entered into Euro/U.S. Dollar derivative hedging transactions related to the Euro denominated construction costs associated with our capacity expansion projects at our Donaldsonville and Port Neal facilities. At September 30, 2013, the notional amount of our open foreign currency forward contracts was approximately \$727.8 million and the fair value was a net unrealized gain of \$24.2 million. A 10% change in USD/Euro forward exchange rates would change the fair value of these positions by \$72.7 million.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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

ITEM 4. CONTROLS AND PROCEDURES.

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

(b) *Internal Control Over Financial Reporting.* There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

The following table sets forth stock repurchases for each of the three months of the quarter ended September 30, 2013.

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in thousands)
July 1, 2013 - July 31, 2013	752,598 ⁽¹⁾	\$ 172.78 ⁽³⁾	5,827,272	\$ 1,889,000
August 1, 2013 - August 31, 2013	13,645 ⁽²⁾	188.47	5,827,272	1,889,000
September 1, 2013 - September 30, 2013			5,827,272	1,889,000
Total	766,243	173.06		

- (1) In the third quarter of 2012, our Board of Directors authorized management to repurchase common stock for a total expenditure of up to \$3.0 billion through December 31, 2016, subject to market conditions (the 2012 Stock Repurchase Program). This program is discussed in Note 16 Treasury Stock, in the notes to the unaudited consolidated financial statements included in Part 1.
- (2) Repurchases represents shares withheld to pay employee tax obligations upon the vesting of restricted stock awards.
- (3) Average price paid per share of common stock repurchased under the 2012 Stock Repurchase Program is the execution price, excluding commissions paid to brokers.

ITEM 4. MINE SAFETY DISCLOSURES.

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

ITEM 6. EXHIBITS.

A list of exhibits filed with this report on Form 10-Q (or incorporated by reference to exhibits previously filed or furnished) is provided in the Exhibit Index on page 76 of this report.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

SIGNATURES

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

CF Industries Holdings, Inc.

Date: November 5, 2013

By: /s/ STEPHEN R. WILSON

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

Date: November 5, 2013

By: /s/ DENNIS P. KELLEHER

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

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
95	Mine Safety Disclosures
101	The following financial information from CF Industries Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language) includes: (1) Consolidated Statements of Operations, (2) Consolidated Statements of Comprehensive Income, (3) Consolidated Balance Sheets, (4) Consolidated Statements of Cash Flows, (5) Consolidated Statements of Equity and (6) the Notes to Unaudited Consolidated Financial Statements