

CF Industries Holdings, Inc.  
Form 10-Q  
May 09, 2013

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 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

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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

59,288,007 shares of the registrant's common stock, \$0.01 par value per share, were outstanding at April 30, 2013.

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

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions, except per share amounts)</b>	
Net sales	\$ 1,336.5	\$ 1,527.6
Cost of sales	661.4	815.8
<b>Gross margin</b>	<b>675.1</b>	<b>711.8</b>
Selling, general and administrative expenses	44.3	33.8
Other operating net	14.6	22.3
Total other operating costs and expenses	58.9	56.1
Equity in earnings of operating affiliates	11.6	15.5
Operating earnings	627.8	671.2
Interest expense	39.1	30.9
Interest income	(2.1)	(0.4)
Other non-operating net	54.7	(0.1)
Earnings before income taxes and equity in earnings (losses) of non-operating affiliates	536.1	640.8
Income tax provision	107.4	206.8
Equity in earnings (losses) of non-operating affiliates-net of taxes	0.7	(2.3)
Net earnings	429.4	431.7
Less: Net earnings attributable to noncontrolling interest	22.9	63.3
<b>Net earnings attributable to common stockholders</b>	<b>\$ 406.5</b>	<b>\$ 368.4</b>
Net earnings per share attributable to common stockholders:		
Basic	\$ 6.53	\$ 5.62
Diluted	\$ 6.47	\$ 5.54
Weighted average common shares outstanding:		
Basic	62.3	65.5
Diluted	62.8	66.5
Dividends declared per common share	\$ 0.40	\$ 0.40

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
Net earnings	\$ 429.4	\$ 431.7
Other comprehensive income:		
Foreign currency translation adjustment net of taxes	(56.7)	26.1
Unrealized gain on hedging derivatives net of taxes	(7.8)	
Unrealized gain on securities net of taxes	0.4	0.7
Defined benefit plans net of taxes	3.0	1.0
	(61.1)	27.8
Comprehensive income	368.3	459.5
Less: Comprehensive income attributable to the noncontrolling interest	22.3	63.8
Comprehensive income attributable to common stockholders	\$ 346.0	\$ 395.7

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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**CF INDUSTRIES HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	March 31, 2013	December 31, 2012
	(in millions, except share and per share amounts)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,210.3	\$ 2,274.9
Accounts receivable net	242.7	217.4
Inventories net	385.8	277.9
Deferred income taxes	38.5	9.5
Other	30.4	27.9
Total current assets	2,907.7	2,807.6
Property, plant and equipment, net of accumulated depreciation, depletion and amortization of \$2,829.2 and \$2,757.1	3,938.1	3,900.5
Asset retirement obligation funds	200.8	200.8
Investments in and advances to affiliates	905.8	935.6
Goodwill	2,064.5	2,064.5
Other assets	321.5	257.9
Total assets	\$ 10,338.4	\$ 10,166.9
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 448.5	\$ 366.5
Income taxes payable	123.5	187.1
Customer advances	698.6	380.7
Notes payable	4.8	5.0
Distributions payable to noncontrolling interest	5.3	5.3
Other	4.6	5.6
Total current liabilities	1,285.3	950.2
Long-term debt	1,600.0	1,600.0
Deferred income taxes	885.2	938.8
Other noncurrent liabilities	450.2	395.7
Contingencies (Note 20)		
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 63,106,575 shares issued and 2012 62,961,628 shares issued	0.6	0.6
Paid-in capital	2,509.0	2,492.4
Retained earnings	3,842.4	3,461.1
Treasury stock at cost, 2013 2,531,027 shares and 2012 10,940 shares	(509.6)	(2.3)
Accumulated other comprehensive loss	(110.1)	(49.6)
Total stockholders' equity	5,732.3	5,902.2
Noncontrolling interest	385.4	380.0

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Total equity	6,117.7	6,282.2
Total liabilities and equity	\$ 10,338.4	\$ 10,166.9

See Accompanying Notes to Unaudited Consolidated Financial Statements.



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## CF INDUSTRIES HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

	Common Stockholders							
	\$0.01 Par Value Common Stock	Treasury Stock	Paid-In Capital	Retained Earnings	Accumulated Other	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
					Comprehensive Loss			
(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				368.4		368.4	63.3	431.7
Other comprehensive income								
Foreign currency translation adjustment net of taxes					25.6	25.6	0.5	26.1
Unrealized gain on securities net of taxes					0.7	0.7		0.7
Defined benefit plans net of taxes					1.0	1.0		1.0
Comprehensive income						395.7	63.8	459.5
Issuance of \$0.01 par value common stock under employee stock plans				3.5		3.5		3.5
Stock-based compensation expense				2.5		2.5		2.5
Excess tax benefit from stock-based compensation				9.4		9.4		9.4
Cash dividends (\$0.40 per share)				(26.2)		(26.2)		(26.2)
Declaration of distribution payable							(20.9)	(20.9)
Effect of exchange rates changes							0.2	0.2
Balance at March 31, 2012	\$ 0.7	\$ (1,000.2)	\$ 2,820.2	\$ 3,183.2	\$ (72.0)	\$ 4,931.9	\$ 429.0	\$ 5,360.9
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				406.5		406.5	22.9	429.4
Other comprehensive income								
Foreign currency translation adjustment net of taxes					(56.1)	(56.1)	(0.6)	(56.7)
Unrealized loss on hedging derivatives net of taxes					(7.8)	(7.8)		(7.8)
Unrealized gain on securities net of taxes					0.4	0.4		0.4
Defined benefit plans net of taxes					3.0	3.0		3.0
Comprehensive income						346.0	22.3	368.3
Purchases of treasury stock		(507.3)				(507.3)		(507.3)
Issuance of \$0.01 par value common stock under employee stock plans				4.6		4.6		4.6
Stock-based compensation expense				3.0		3.0		3.0
Excess tax benefit from stock-based compensation				9.0		9.0		9.0
Cash dividends (\$0.40 per share)				(25.2)		(25.2)		(25.2)
Declaration of distribution payable							(16.7)	(16.7)
Effect of exchange rates changes							(0.2)	(0.2)
Balance at March 31, 2013	\$ 0.6	\$ (509.6)	\$ 2,509.0	\$ 3,842.4	\$ (110.1)	\$ 5,732.3	\$ 385.4	\$ 6,117.7

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See Accompanying Notes to Unaudited Consolidated Financial Statements.

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## CF INDUSTRIES HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended March 31,	
	2013	2012
	(in millions)	
<b>Operating Activities:</b>		
Net earnings	\$ 429.4	\$ 431.7
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	107.1	103.1
Deferred income taxes	(66.7)	(6.3)
Stock compensation expense	3.2	3.2
Excess tax benefit from stock-based compensation	(9.0)	(9.4)
Unrealized (gain) loss on derivatives	(9.0)	55.9
Loss on disposal of property, plant and equipment	2.3	3.9
Undistributed earnings of affiliates net	(4.2)	(1.8)
Changes in:		
Accounts receivable	(25.4)	(191.7)
Margin deposits		0.8
Inventories	(109.8)	43.5
Accrued income taxes	(81.8)	20.8
Accounts payable and accrued expenses	73.5	(9.3)
Customer advances net	317.9	142.5
Other net	51.2	16.3
Net cash provided by operating activities	678.7	603.2
<b>Investing Activities:</b>		
Additions to property, plant and equipment	(152.8)	(64.3)
Proceeds from the sale of property, plant and equipment	3.3	3.9
Deposits to asset retirement obligation funds		(2.2)
Deposit on CFL acquisition	(45.3)	
Other net	(1.9)	
Net cash used in investing activities	(196.7)	(62.6)
<b>Financing Activities:</b>		
Dividends paid on common stock	(25.2)	(26.2)
Distributions to noncontrolling interests	(16.7)	(20.9)
Purchase of treasury stock	(500.1)	
Issuances of common stock under employee stock plans	4.6	3.5
Excess tax benefit from stock-based compensation	9.0	9.4
Net cash used in financing activities	(528.4)	(34.2)
Effect of exchange rate changes on cash and cash equivalents	(18.2)	(0.1)
(Decrease) increase in cash and cash equivalents	(64.6)	506.3
Cash and cash equivalents at beginning of period	2,274.9	1,207.0
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,210.3</b>	<b>\$ 1,713.3</b>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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**CF INDUSTRIES HOLDINGS, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Background and Basis of Presentation**

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

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

The accompanying unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 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 footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Operating results for any period presented apply to that period only and are not necessarily indicative of results for any future period.

These statements should be read in conjunction with our audited consolidated financial statements and related disclosures included in our 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.

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.

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**CF INDUSTRIES HOLDINGS, INC.**

**2. Summary of Significant Accounting Policies**

For a complete discussion of the Company's significant accounting policies, refer to our 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 supplies fertilizer products to CF Industries, Inc. (CFI) and Viterro Inc. (Viterro). CFL's 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.

CFI owns 49% of CFL's voting common shares and 66% of CFL's nonvoting preferred shares. Viterro owns 34% of the voting common shares and non-voting preferred shares of CFL. The remaining 17% of the voting common shares are owned by GROWMARK, Inc. and La Coop fédérée. CFL is a variable interest entity that we consolidate in our financial statements.

General creditors of CFL do not have direct recourse to the assets of CFI. However, the product purchase agreement between CFI and CFL does require CFI to advance funds to CFL in the event that CFL is unable to meet its obligations as they become due. The amount of each advance would be at least 66% of the deficiency and would be more in any year in which CFI purchased more than 66%

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**CF INDUSTRIES HOLDINGS, INC.**

of Medicine Hat's production. A similar purchase agreement and obligation also exists for Viterra. CFI and Viterra currently manage CFL such that each party is responsible for its share of CFL's fixed costs and that CFL's production volume is managed to meet the parties' combined requirements. Based on the contractual arrangements, CFI is the primary beneficiary of CFL as CFI directs the activities that most significantly impact CFL's economic performance and receives at least 66% of the economic risks and rewards of CFL.

CFL's net sales for the three months ended March 31, 2013 and 2012 were \$59.5 million and \$180.4 million, respectively. CFL's assets and liabilities at March 31, 2013 were \$118.8 million and \$69.6 million, respectively, and at December 31, 2012 were \$108.1 million and \$57.6 million, respectively. The year-over-year comparability of CFL's net sales is impacted by a selling price modification that resulted from amendments to CFL's product purchase agreements, as described further below.

Because CFL's functional currency is the Canadian dollar, consolidation of CFL results in a cumulative foreign currency translation adjustment, which is reported in other comprehensive income (loss). In accordance with CFL's governing agreements, CFL's net earnings are distributed to its members annually based on approval by CFL's shareholders. A portion of the amounts reported as noncontrolling interest in the consolidated statements of operations represents Viterra's 34% interest in the earnings of CFL, while a portion of the amounts reported as noncontrolling interest on our consolidated balance sheets represent the interests of Viterra and the holders of 17% of CFL's common shares.

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

Under the product purchase agreements that were in effect through the third quarter of 2012, both CFI and Viterra paid the greater of production cost or market price for purchases. An initial portion of the selling price was paid based upon production cost plus an agreed-upon margin once title passes as the products were shipped. The remaining portion of the selling price, representing the difference between the market price and production cost plus an agreed-upon margin, was paid after the end of the year. The sales revenue attributable to this remaining portion of the selling price was accrued on an interim basis. In the Company's consolidated financial statements, the net sales and accounts receivable attributable to CFL are solely generated by transactions with Viterra, as all transactions with CFI are eliminated in consolidation. At both March 31, 2013 and December 31, 2012, the net receivable due from Viterra related to the product purchases that was reflected on our consolidated balance sheets was \$2.0 million. See further discussion below regarding a modification to the CFL selling prices which reduced the net receivable due from Viterra.

The product purchase agreements also provide that CFL will distribute its net earnings to CFI and Viterra annually based on the respective quantities of product purchased from CFL. The net earnings attributable to Viterra that are reported in noncontrolling interest on the consolidated balance sheets at both March 31, 2013 and December 31, 2012 was approximately \$5.3 million. The annual distribution is paid after the end of the year. The distributions to Viterra are reported as financing activities in the consolidated statements of cash flows, as we consider these payments to be similar to dividends.

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**CF INDUSTRIES HOLDINGS, INC.**

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, Inc. and La Coop fédérée for a total purchase price of approximately C\$0.9 billion. In April 2013, we completed the acquisition and now own 100% of CFL and are entitled to purchase 100% of CFL's ammonia and granular urea production.

In the fourth quarter of 2012, the CFL Board of Directors approved an amendment to each of the respective product purchase agreements with CFI and Viterra. The amendments modified the selling prices that CFL charges for products sold to CFI and Viterra. The modified selling prices are based on production cost plus an agreed-upon margin and are reflected in our first quarter 2013 results, whereas an accrual of \$39.7 million was included in our first quarter 2012 results for the difference between market prices and production cost plus an agreed-upon margin. This impacts the comparability of our consolidated net sales, gross margin, operating earnings, earnings before income taxes and net earnings attributable to noncontrolling interest, but does not impact the comparability of our consolidated net earnings attributable to common stockholders or net cash flows.

*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 CFI is required to purchase all of TNCLP's fertilizer products at market prices as defined in the Amendment to the General and Administrative Services and Product Offtake Agreement, dated September 28, 2010.

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

In each of the applicable quarters of 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 three months ended March 31, 2013 and 2012, were \$71.3 million and \$51.8 million, respectively.



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**CF INDUSTRIES HOLDINGS, INC.**

At March 31, 2013, Terra Nitrogen GP Inc. (TNGP), the general partner of TNCLP (and an indirect wholly-owned subsidiary of CFI), 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.

	Three months ended March 31,					
	2013			2012		
	CFL	TNCLP	Total	CFL	TNCLP	Total
	(in millions)					
<b>Noncontrolling interest:</b>						
Beginning balance	\$ 17.4	\$ 362.6	\$ 380.0	\$ 16.7	\$ 369.2	\$ 385.9
Earnings attributable to noncontrolling interest	1.7	21.2	22.9	47.6	15.7	63.3
Declaration of distributions payable		(16.7)	(16.7)		(20.9)	(20.9)
Effect of exchange rate changes	(0.8)		(0.8)	0.7		0.7
Ending balance	\$ 18.3	\$ 367.1	\$ 385.4	\$ 65.0	\$ 364.0	\$ 429.0
<b>Distributions payable to noncontrolling interest:</b>						
Beginning balance	\$ 5.3	\$	\$ 5.3	\$ 149.7	\$	\$ 149.7
Declaration of distributions payable		16.7	16.7		20.9	20.9
Distributions to noncontrolling interest		(16.7)	(16.7)		(20.9)	(20.9)
Effect of exchange rate changes				3.4		3.4
Ending balance	\$ 5.3	\$	\$ 5.3	\$ 153.1	\$	\$ 153.1

**5. Fair Value Measurements**

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

	March 31, 2013				December 31, 2012			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in millions)							
Cash	\$ 198.6	\$	\$	\$ 198.6	\$ 106.0	\$	\$	\$ 106.0
U.S. and Canadian government obligations	1,477.5			1,477.5	1,996.9			1,996.9
Other debt securities	534.2			534.2	172.0			172.0
Total cash and cash equivalents	\$ 2,210.3	\$	\$	\$ 2,210.3	\$ 2,274.9	\$	\$	\$ 2,274.9
Investments in auction rate securities	26.6		(0.9)	25.7	27.3		(1.3)	26.0
Asset retirement obligation funds	200.8			200.8	200.8			200.8
Nonqualified employee benefit trusts	20.9	0.9		21.8	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



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directly by the Federal government; those issued by state, local or other governmental entities; and those guaranteed by entities affiliated with governmental entities.

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

The following tables present assets and liabilities included in our consolidated balance sheets at March 31, 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:

	<b>March 31, 2013</b>			
	<b>Total Fair Value</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
	(in millions)			
Cash and cash equivalents	\$ 2,210.3	\$ 2,210.3	\$	\$
Unrealized gains on derivative instruments	19.8		19.8	
Asset retirement obligation funds	200.8	200.8		
Investments in auction rate securities	25.7			25.7
Nonqualified employee benefit trusts	21.8	21.8		
<b>Total assets at fair value</b>	<b>\$ 2,478.4</b>	<b>\$ 2,432.9</b>	<b>\$ 19.8</b>	<b>\$ 25.7</b>
Unrealized losses on derivative instruments	\$ 11.2		\$ 11.2	
<b>Total liabilities at fair value</b>	<b>\$ 11.2</b>		<b>\$ 11.2</b>	

	<b>December 31, 2012</b>			
	<b>Total Fair Value</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
	(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		
<b>Total assets at fair value</b>	<b>\$ 2,541.0</b>	<b>\$ 2,497.7</b>	<b>\$ 17.3</b>	<b>\$ 26.0</b>
Unrealized losses on derivative instruments	\$ 5.6		\$ 5.6	
<b>Total liabilities at fair value</b>	<b>\$ 5.6</b>		<b>\$ 5.6</b>	

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

*Cash and Cash Equivalents*

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

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*Derivative Instruments*

The derivative instruments that we currently use are primarily natural gas call options 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 16 Derivative Financial Instruments, for additional information.

*Asset Retirement Obligation Funds*

In order to meet financial assurance requirements associated with certain 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 8 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. They are classified as noncurrent assets as a result of the continuing market illiquidity and our judgment regarding the period of time that may elapse until the traditional auction process resumes or other effective market trading mechanisms develop. These ARS have maturities that range up to 35 years, with 65% of the carrying value maturing in 20 to 30 years.

We currently intend to hold our ARS until a market recovery occurs and, based on our current liquidity position, we do not believe it is likely that we will need to sell these securities prior to their recovery in value. Therefore, we expect to recover our amortized cost basis in the investments. As a result, our unrealized holding loss on these securities is classified as a temporary impairment and is reported in other comprehensive income (loss). During the first three months of 2013, \$0.7 million of our ARS were redeemed at par.

We are unable to use significant observable (Level 1 or Level 2) inputs to value these investments and they are therefore classified as Level 3 for purposes of the fair value disclosure requirements. To determine the fair value of our ARS, we use a mark-to-model approach that relies on discounted cash flows, market data and inputs derived from similar instruments to arrive at the fair value of these instruments. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset. It is reasonably possible that a

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change in the estimated fair value for these instruments measured using Level 3 inputs could occur in the future. The following table provides a reconciliation of changes in these Level 3 assets.

	<b>Investments in auction rate securities (in millions)</b>
Fair value, December 31, 2012	\$ 26.0
Sales and redemptions	(0.7)
Unrealized gain included in other comprehensive loss	0.4
Fair value, March 31, 2013	\$ 25.7

*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 net asset values (NAV) of the investments. These trusts are included on our consolidated balance sheets in other assets.

**6. Net Earnings Per Share**

Net earnings per share were computed as follows:

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions, except per share amounts)</b>	
Net earnings attributable to common stockholders	\$ 406.5	\$ 368.4
Basic earnings per common share:		
Weighted average common shares outstanding	62.3	65.5
Net earnings attributable to common stockholders	\$ 6.53	\$ 5.62
Diluted earnings per common share:		
Weighted average common shares outstanding	62.3	65.5
Dilutive common shares stock options	0.5	1.0
Diluted weighted average shares outstanding	62.8	66.5
Net earnings attributable to common stockholders	\$ 6.47	\$ 5.54

In the computation of diluted net earnings per common share, potentially dilutive stock options are excluded if the effect of their inclusion is anti-dilutive. For the three months ended March 31, 2013 and 2012, anti-dilutive stock options were insignificant.

In the first quarter of 2013, we repurchased 2.5 million of our common shares for \$507.3 million, of which \$7.2 million was accrued but unpaid at March 31, 2013. The impact of the share repurchases on weighted average shares outstanding is reflected in the table above. For additional information, see Note 18 Treasury Stock.

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Through December 31, 2012, we maintained four funded defined benefit pension plans: two U.S. plans and two Canadian plans. As of January 1, 2013, we adopted amendments to our U.S. pension plans to combine them into a single plan and to provide pension benefits to eligible U.S. employees not covered previously by the U.S. plans. We also provide group medical insurance benefits to certain retirees. The specific medical benefits provided to retirees vary by group and location.

Net periodic benefit cost included the following components:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
<b>Pension Plans</b>		
Service cost for benefits earned during the period	\$ 4.5	\$ 3.2
Interest cost on projected benefit obligation	8.2	8.6
Expected return on plan assets	(8.1)	(8.6)
Amortization of actuarial loss	2.8	2.6
 Net periodic benefit cost	 \$ 7.4	 \$ 5.8
<b>Retiree Medical</b>		
Service cost for benefits earned during the period	\$ 0.1	\$ 0.8
Interest cost on projected benefit obligation	0.6	1.0
Amortization of transition obligation		0.1
Amortization of actuarial loss	0.1	0.3
 Net periodic benefit cost	 \$ 0.8	 \$ 2.2

Our 2013 consolidated pension funding contributions are estimated to be approximately \$23.2 million, of which approximately \$1.3 million was funded in the first three months of 2013.

We have defined contribution plans covering substantially all employees. Depending on the specific provisions of each plan, the company may provide basic contributions based on a percentage of base salary, matching of employee contributions up to specified limits, or a combination of both. For the three months ended March 31, 2013 and 2012 we contributed \$3.2 million and \$3.3 million, respectively, to the plans.

**8. 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 March 31, 2013 are summarized below:

	<b>(in millions)</b>
Obligation at December 31, 2012	\$ 145.0
Accretion expense	2.6
Expenditures	(1.4)
 Obligation at March 31, 2013	 \$ 146.2





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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 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.

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

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	(in millions)	
Current portion	\$ 10.9	\$ 12.3
Noncurrent portion	135.3	132.7
	<b>\$ 146.2</b>	<b>\$ 145.0</b>

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 sheet, 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 March 31, 2013 and December 31, 2012, the balance in the ARO funds was \$200.8 million.

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Details of interest expense are as follows:

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
Interest on borrowings	\$ 28.0	\$ 28.0
Fees on financing agreements	3.5	5.1
Interest on tax liabilities	12.1	0.5
Interest capitalized and other	(4.5)	(2.7)
	<b>\$ 39.1</b>	<b>\$ 30.9</b>

**10. Income Taxes**

Our income tax provision for the three months ended March 31, 2013 was \$107.4 million on pre-tax income of \$536.1 million, or an effective tax rate of 20.0%, compared to an income tax provision of \$206.8 million, or an effective tax rate of 32.3% for the three months ended March 31, 2012. Our income tax provision for the three months ended March 31, 2013 includes a \$75.8 million tax benefit for the effect of a Closing Agreement with the IRS related to the utilization of our pre-IPO net operating losses (NOLs) that was finalized in March 2013. This 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. Both of these items are discussed further below. Excluding the effect of the Closing Agreement and the amount payable to our pre-IPO owners, the effective tax rate for the first quarter of 2013 was 31.0%. 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 former cooperative 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 three months ended March 31, 2013, the expense related to this liability is included in Other non-operating net. On our consolidated balance sheet at March 31, 2013, \$13.5 million is included in

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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 three months ended March 31, 2013, these amounts are included in accounts payable and accrued expenses, and other-net, respectively.

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 would be affected by \$66.9 million if our unrecognized tax benefits at March 31, 2013 were to be recognized in the future.

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

**11. Inventories Net**

Inventories net consist of the following:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>(in millions)</b>	
Fertilizer	\$ 321.4	\$ 212.2
Raw materials, spare parts and supplies	64.4	65.7
	<b>\$ 385.8</b>	<b>\$ 277.9</b>

**12. Equity Method Investments**

Equity method investments consist of the following:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>(in millions)</b>	
Operating equity method investments	\$ 395.5	\$ 394.2
Non-operating equity method investments	510.3	541.4
Investments in and advances to affiliates	<b>\$ 905.8</b>	<b>\$ 935.6</b>

*Operating Equity Method Investments*

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

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
<b>Condensed statement of operations information:</b>		
Net sales	\$ 96.4	\$ 77.5
Net earnings	\$ 32.2	\$ 24.5
Equity in earnings of operating affiliates	\$ 11.6	\$ 15.5

	<b>March 31,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
<b>Condensed balance sheet information:</b>		
Current assets	\$ 103.3	\$ 93.9
Long-term assets	161.0	164.8
Total assets	\$ 264.3	\$ 258.7
Current liabilities	\$ 43.3	\$ 45.9
Long-term liabilities	26.0	26.0
Equity	195.0	186.8
Total liabilities and equity	\$ 264.3	\$ 258.7

The carrying value of these investments at March 31, 2013 was \$395.5 million, which was \$298.0 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 21 years and 11 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 \$38.4 million and \$38.5 million for the three months ended March 31, 2013 and 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.

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
<b>Condensed statement of operations information:</b>		
Net sales	\$ 594.1	\$ 638.4
Net earnings	\$ 7.0	\$ 2.0
Equity in earnings (losses) of non-operating affiliates net of taxes	\$ 0.7	\$ (2.3)

	<b>March 31,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
<b>Condensed balance sheet information:</b>		
Current assets	\$ 550.2	\$ 595.0
Long-term assets	283.0	293.4
Total assets	\$ 833.2	\$ 888.4
Current liabilities	\$ 350.7	\$ 385.6
Long-term liabilities	141.4	147.3
Equity	341.1	355.5
Total liabilities and equity	\$ 833.2	\$ 888.4

In conjunction with our investment in Keytrade, we provided financing to Keytrade in the form of subordinated notes that mature on September 30, 2017 and bear interest at LIBOR plus 1.00 percent. At March 31, 2013 and December 31, 2012, the amount of the outstanding advances to Keytrade on our consolidated balance sheets was \$12.4 million. For each of the three month periods ended March 31, 2013 and 2012, we recognized interest income on advances to Keytrade of \$0.1 million. The carrying value of our advances to Keytrade approximates fair value.

Excluding the advances to Keytrade, the carrying value of our non-operating equity method investments at March 31, 2013 was \$497.9 million, which was \$327.3 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 ranging from 1 to 13 years. Our equity in earnings of non-operating affiliates-net of taxes is different than our ownership interest in their net earnings due to the amortization of basis differences.

At March 31, 2013, the amount of our consolidated retained earnings that represents our undistributed earnings of non-operating equity method investments is \$16.5 million.

**13. 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

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related to turnarounds are capitalized into property, plant and equipment when incurred. The following is a summary of plant turnaround activity:

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in millions)</b>	
<b>Net capitalized turnaround costs:</b>		
Beginning balance	\$ 82.1	\$ 54.8
Additions	4.0	5.6
Depreciation	(8.7)	(8.0)
Effect of exchange rate changes	(0.1)	0.9
 Ending balance	 \$ 77.3	 \$ 53.3

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.

**14. Goodwill and Other Intangible Assets**

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

	<b>Nitrogen</b>	<b>Phosphate</b>	<b>Total</b>
	<b>(in millions)</b>		
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.

	<b>At March 31, 2013</b>			<b>At December 31, 2012</b>		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<b>(in millions)</b>					
<b>Intangible assets:</b>						
Customer Relationships	\$ 50.0	\$ (8.3)	\$ 41.7	\$ 50.0	\$ (7.6)	\$ 42.4
TerraCair Brand	10.0	(3.0)	7.0	10.0	(2.8)	7.2
 Total intangible assets	 \$ 60.0	 \$ (11.3)	 \$ 48.7	 \$ 60.0	 \$ (10.4)	 \$ 49.6

Amortization expense of our identifiable intangibles was \$0.9 million for both the three months ended March 31, 2013 and 2012, respectively.

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

	<b>Estimated Amortization Expense (in millions)</b>
Remainder of 2013	\$ 2.9
2014	3.8
2015	3.8
2016	3.8
2017	3.8
2018	3.8
	<b>\$ 21.9</b>

**15. Financing Agreements**

Long-term debt consisted of the following:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>(in millions)</b>	
Unsecured senior notes:		
6.875% due 2018	\$ 800.0	\$ 800.0
7.125% due 2020	800.0	800.0
	<b>\$ 1,600.0</b>	<b>\$ 1,600.0</b>
Less: Current portion		
Net long-term debt	<b>\$ 1,600.0</b>	<b>\$ 1,600.0</b>

*Credit Agreement*

In the second quarter of 2012, the Company, as a guarantor, and CFI, as borrower, entered into a \$500 million senior unsecured credit agreement, dated May 1, 2012 (the 2012 Credit Agreement), which provides for a revolving credit facility of up to \$500 million with a maturity of five years.

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

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

At March 31, 2013, there was \$491.0 million of available credit under the 2012 Credit Agreement (net of outstanding letters of credit), and there were no borrowings outstanding.

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On April 22, 2013, the 2012 Credit Agreement was amended to increase the credit facility from \$500 million to \$1.0 billion and extend its maturity an additional year to May 1, 2018. For additional information, see Note 23 Subsequent Events.

*Senior Notes due 2018 and 2020*

On April 23, 2010, CFI 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 Notes). The Company pays interest semiannually on May 1 and November 1 and the 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 Notes contain customary events of default and covenants that limit, among other things, the ability of the Company and its subsidiaries, including CFI, to incur liens on certain properties to secure debt. In the event of specified changes of control involving the Company or CFI, they also require CFI to offer to repurchase the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

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

At March 31, 2013, the carrying value of the Notes was \$1.6 billion and the fair value was approximately \$1.9 billion.

*Notes Payable*

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

**16. 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 currently use are primarily 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



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**CF INDUSTRIES HOLDINGS, INC.**

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 March 31, 2013 and December 31, 2012, we had open natural gas derivative contracts for 45.8 million MMBtus and 58.9 million MMBtus, respectively. For the three months ended March 31, 2013, we used derivatives to cover approximately 90% of our natural gas consumption.

*Foreign Currency Exchange Rates*

In the fourth quarter of 2012, we announced that our Board of Directors had 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 construction 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 payments through 2014 using currency forward exchange contracts.

As of March 31, 2013, the notional amount of our open foreign currency derivatives was \$787.5 million. Of this amount, \$268.9 million, or approximately 34%, were designated as cash flow hedging instruments for accounting purposes while the remaining \$518.6 million are not designated as hedging instruments for accounting purposes.

No reclassification from AOCI to income occurred in the three months ended March 31, 2013 or during 2012, and none is expected in 2013. 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.

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The effect of derivatives in our consolidated statements of operations is shown below:

Derivatives designated as cash flow hedges	Gain (loss) recognized in OCI Three months ended March 31,		Gain (loss) reclassified from AOCI into income Three months ended March 31,		
	2013	2012	Location	2013	2012
	(in millions)			(in millions)	
Foreign exchange contracts	\$ (12.2)	\$	Other operating net	\$	\$

Location	Gain (loss) recognized in income Three months ended March 31,	
	2013	2012
	(in millions)	
Foreign exchange contracts	\$ (0.2)	\$
Other operating net <sup>(1)</sup>		

Derivatives not designated as hedges	Location	Gain (loss) recognized in income Three months ended March 31,	
		2013	2012
		(in millions)	
Natural gas derivatives	Cost of sales	\$ 22.5	\$ (55.9)
Foreign exchange contracts	Other operating net	(13.5)	
		\$ 9.0	\$ (55.9)

All Derivatives	Gain (loss) in income Three months ended March 31,	
	2013	2012
	(in millions)	
Unrealized gains (losses)		
Derivatives not designated as hedges	\$ 9.0	\$ (55.9)
Cash flow hedge ineffectiveness	(0.2)	
Total unrealized gains (losses)	8.8	(55.9)
Realized losses	(7.7)	(48.2)
Net derivative gains (losses)	\$ 1.1	\$ (104.1)

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



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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	March 31, 2013	December 31, 2012	Balance Sheet Location	March 31, 2013	December 31, 2012
	(in millions)			(in millions)		
<b>Derivatives designated as hedging instruments</b>						
Foreign exchange contracts	Other current assets	\$ 0.2	\$ 4.2	Other current liabilities	\$ 0.4	\$
Foreign exchange contracts	Other noncurrent assets		4.8	Other noncurrent liabilities	1.9	
		\$ 0.2	\$ 9.0		\$ 2.3	\$
<b>Derivatives not designated as hedging instruments</b>						
Foreign exchange contracts	Other current assets	\$ 0.2	\$ 3.9	Other current liabilities	\$ 3.9	\$
Foreign exchange contracts	Other noncurrent assets		2.4	Other noncurrent liabilities	4.8	
Natural gas derivatives	Other current assets	19.4	2.0	Other current liabilities	0.2	5.5
Natural gas derivatives	Other noncurrent assets			Other noncurrent liabilities		0.1
		\$ 19.6	\$ 8.3		\$ 8.9	\$ 5.6
<b>Total derivatives</b>		\$ 19.8	\$ 17.3		\$ 11.2	\$ 5.6
<b>Current / Noncurrent Totals</b>						
	Other current assets	\$ 19.8	\$ 10.1	Other current liabilities	\$ 4.5	\$ 5.5
	Other noncurrent assets		7.2	Other noncurrent liabilities	6.7	0.1
<b>Total derivatives</b>		\$ 19.8	\$ 17.3		\$ 11.2	\$ 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

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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

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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. As of March 31, 2013 and December 31, 2012, the aggregate fair value of the derivative instruments with credit-risk-related contingent features in net liability positions was \$3.4 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 March 31, 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 as of March 31, 2013 and December 31, 2012.

	Gross and Net amounts presented in consolidated balance sheet <sup>(1)</sup>	Gross amounts not offset in consolidated balance sheet		
		Financial instruments	Cash collateral received (pledged)	Net amount
<b>March 31, 2013</b>				
Total derivative assets	\$ 19.8 <sup>(2)</sup>	\$ 4.1	\$	\$ 15.7
Total derivative liabilities	11.2 <sup>(3)</sup>	4.1		7.1
Net assets	\$ 8.6	\$	\$	\$ 8.6
<b>December 31, 2012</b>				
Total derivative assets	\$ 17.3 <sup>(4)</sup>	\$ 4.6	\$	\$ 12.7
Total derivative liabilities	5.6 <sup>(5)</sup>	4.6		1.0
Net assets	\$ 11.7	\$	\$	\$ 11.7

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

(2) The \$19.8 million is included in other current assets at March 31, 2013.

(3) Of the \$11.2 million at March 31, 2013, \$4.5 million is included in other current liabilities and \$6.7 million is included on other noncurrent liabilities.

(4) Of the \$17.3 million at December 31, 2012, \$10.1 million is included in other current assets and \$7.2 million is included in other noncurrent assets.

(5) Of the \$5.6 million at December 31, 2012, \$5.5 million is included in other current liabilities and \$0.1 million is included in other noncurrent liabilities.



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Our exposure to credit loss from nonperformance by counterparties was approximately \$15.7 million and \$12.7 million as of March 31, 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.

**17. Stock-Based Compensation**

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

A summary of stock option activity under the Plan for the three months ended March 31, 2013 is presented below:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2012	766,607	\$ 100.34	\$ 79.4
Exercised	(146,517)	31.89	26.6
Forfeited	(9,775)	166.63	
Outstanding at March 31, 2013	610,315	115.71	47.7
Exercisable at March 31, 2013	329,652	81.86	35.8

Cash received from stock option exercises for the three months ended March 31, 2013 was \$4.6 million.

A summary of restricted stock activity under the Plan for the three months ended March 31, 2013 is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2012	98,284	\$ 129.05
Forfeited	(1,570)	137.99
Outstanding at March 31, 2013	96,714	128.90



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

	Three months ended March 31,	
	2013	2012
	(in millions)	
Stock-based compensation expense <sup>(1)</sup>	\$ 3.0	\$ 2.5
Income tax benefit	(1.1)	(1.0)
Stock-based compensation expense, net of income taxes	\$ 1.9	\$ 1.5

(1) In addition to our expense associated with the Plan, TNCLP also recognizes stock-based compensation expense for phantom units provided to non-employee directors of TNGP. The expense resulting from these market-based liability awards amounted to \$0.2 million and \$0.6 million for the three months ended March 31, 2013 and 2012, respectively. Stock compensation expense reported in our consolidated statements of operations and consolidated statements of cash flows includes this phantom unit expense.

As of March 31, 2013, pre-tax unrecognized compensation cost, net of estimated forfeitures, for stock options was \$11.6 million, which will be recognized over a weighted average period of 1.9 years, and for restricted stock was \$5.1 million, which will be recognized over a weighted average period of 1.8 years.

Excess tax benefits for the three months ended March 31, 2013 and 2012 were \$9.0 million and \$9.4 million, respectively.

**18. Treasury Stock**

In the third quarter of 2012, we announced that our Board of Directors authorized the repurchase of up to \$3.0 billion of CF Holdings common stock through December 31, 2016. 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 the first quarter of 2013, we repurchased 2.5 million shares for \$507.3 million, of which \$7.2 million was accrued but unpaid at March 31, 2013. Subsequent to March 31, 2013, we repurchased an additional 1.3 million shares for \$242.8 million, bringing the total repurchased shares to date under this program to 3.8 million at an aggregate of \$750 million.

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Changes to accumulated other comprehensive income (loss) (AOCI) and the impact on other comprehensive loss 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 (loss)		1.1			1.1
Reclassification to net earnings				3.2	3.2
Effect of exchange rate changes and deferred taxes	25.6	(0.4)		(2.2)	23.0
Balance at March 31, 2012	\$ 41.0	\$ (2.3)	\$	\$ (110.7)	\$ (72.0)
Balance at December 31, 2012	\$ 61.4	\$ (0.4)	\$ 4.6	\$ (115.2)	\$ (49.6)
Unrealized gain (loss)		0.9	(12.2)		(11.3)
Reclassification to net earnings		(0.3)		3.1	2.8
Effect of exchange rate changes and deferred taxes	(56.1)	(0.2)	4.4	(0.1)	(52.0)
Balance at March 31, 2013	\$ 5.3	\$	\$ (3.2)	\$ (112.2)	\$ (110.1)

Reclassifications out of AOCI during the three months ended March 31, 2013 were as follows:

	Amount Reclassified from AOCI	Affected line item in consolidated statement of operations
(in millions)		
<b>Unrealized Gain (Loss) on Securities</b>		
Available-for-sale securities	\$ (0.3)	Interest income
Total before tax	(0.3)	
Tax effect	0.1	
Net of tax	\$ (0.2)	
<b>Defined Benefit Plans</b>		
Amortization of transition obligation	\$ (1)	
Amortization of prior service cost	(1)	
Amortization of net loss	3.1 <sup>(1)</sup>	
Total before tax	3.1	
Tax effect	(1.1)	
Net of tax	\$ 2.0	
<b>Total reclassifications for the period</b>	<b>\$ 1.8</b>	

(1)

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These AOCI components are included in the computation of net periodic benefit cost (see Note 7 Pension and Other Postretirement Benefits).

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**20. Contingencies**

**Litigation**

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

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information request to the Company on February 11, 2009, as a follow-up to the July 2008 letter. The Company provided information in response to the agency's inquiry on May 14 and May 29, 2009.

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

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

*Federal Numeric Nutrient Criteria Regulation*

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

The 2009 consent decree also requires the EPA to develop numeric nutrient criteria for Florida coastal and estuarine waters. The numeric criteria adopted by the State of Florida and approved by the EPA includes numeric criteria for some coastal and estuarine waters, but as with streams, EPA raised

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issues regarding the scope of coverage of Florida's regulation. Accordingly, on November 30, 2012, the EPA proposed numeric nutrient criteria for Florida coastal and estuarine waters. Pursuant to the March 2013 agreement in principle, the EPA intends to withdraw this proposed rule subject to actions to be taken by FDEP, EPA and the Florida legislature that will establish appropriate criteria for Florida coastal and estuarine waters in accordance with the timetable established in the agreement in principle.

Depending on the developments discussed herein, 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 CFI and other companies located in the Baton Rouge area.

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

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

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*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.

**Other Contingencies**

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 notified by counsel purporting to represent various parties that may suffer losses in connection with the incident that they are investigating possible claims against us. Although we do not own or operate the facility or directly sell our product to the facility, products we have manufactured and sold to others have been delivered to the facility and may have been stored at the facility at the time of the incident. We continue to monitor the situation and intend to defend vigorously any claims that are 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.

**21. Segment Disclosures**

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

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Segment data for sales, cost of sales and gross margin for the three months ended March 31, 2013 and 2012 are presented in the table below.

	Nitrogen	Phosphate	Consolidated
	(in millions)		
<b>Three months ended March 31, 2013</b>			
Net sales			
Ammonia	\$ 200.4	\$	\$ 200.4
Granular urea	263.6		263.6
UAN	537.9		537.9
AN	54.9		54.9
DAP		196.6	196.6
MAP		42.3	42.3
Other	40.8		40.8
	1,097.6	238.9	1,336.5
Cost of sales	450.0	211.4	661.4
Gross margin	\$ 647.6	\$ 27.5	\$ 675.1
Total other operating costs and expenses			58.9
Equity in earnings of operating affiliates			11.6
Operating earnings			\$ 627.8
<b>Three months ended March 31, 2012</b>			
Net sales			
Ammonia	\$ 401.7	\$	\$ 401.7
Granular urea	349.4		349.4
UAN	423.7		423.7
AN	63.8		63.8
DAP		209.3	209.3
MAP		46.6	46.6
Other	33.1		33.1
	1,271.7	255.9	1,527.6
Cost of sales	609.6	206.2	815.8
Gross margin	\$ 662.1	\$ 49.7	\$ 711.8
Total other operating costs and expenses			56.1
Equity in earnings of operating affiliates			15.5
Operating earnings			\$ 671.2

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

	Nitrogen	Phosphate	Other	Consolidated
	(in millions)			
<b>Assets</b>				
March 31, 2013	\$ 6,128.5	\$ 774.5	\$ 3,435.4	\$ 10,338.4
December 31, 2012	\$ 5,991.5	\$ 795.2	\$ 3,380.2	\$ 10,166.9





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**CF INDUSTRIES HOLDINGS, INC.**

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.

**22. 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. (CFI), a 100% owned subsidiary of CF Industries Holdings, Inc. (Parent), described in Note 15, and the full and unconditional guarantee of such Notes by Parent and to debt securities of CFI, 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 CFI 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 CFI, that from time to time is a borrower or guarantor under the 2012 Credit Agreement, or any renewal, replacement or refinancing thereof. As of March 31, 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 CFI, becomes a borrower or a guarantor under the 2012 Credit Agreement, it would be required to become a guarantor of the Notes. For purposes of the presentation of condensed consolidating financial information, the subsidiaries of Parent other than CFI are referred to as the Other Subsidiaries.

Presented below are condensed consolidating statements of operations and statements of cash flows for Parent, CFI and the Other Subsidiaries for the three months ended March 31, 2013 and 2012, and condensed consolidating balance sheets for Parent, CFI and the Other Subsidiaries as of March 31, 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, CFI 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 March 31, 2013				
	Parent	CFI	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net sales	\$	\$ 334.9	\$ 1,414.8	\$ (413.2)	\$ 1,336.5
Cost of sales		222.0	849.8	(410.4)	661.4
Gross margin		112.9	565.0	(2.8)	675.1
Selling, general and administrative expenses	1.0	1.6	41.7		44.3
Other operating net		6.1	8.5		14.6
Total other operating costs and expenses	1.0	7.7	50.2		58.9
Equity in earnings of operating affiliates			11.6		11.6
Operating earnings (loss)	(1.0)	105.2	526.4	(2.8)	627.8
Interest expense		29.4	10.3	(0.6)	39.1
Interest income		(0.4)	(2.3)	0.6	(2.1)
Net (earnings) of wholly-owned subsidiaries	(407.2)	(358.3)		765.5	
Other non-operating net			54.7		54.7
Earnings before income taxes and equity in earnings of non-operating affiliates	406.2	434.5	463.7	(768.3)	536.1
Income tax provision (benefit)	(0.3)	27.3	80.4		107.4
Equity in earnings of non-operating affiliates net of taxes			0.7		0.7
Net earnings	406.5	407.2	384.0	(768.3)	429.4
Less: Net earnings attributable to noncontrolling interest			25.7	(2.8)	22.9
Net earnings attributable to common stockholders	\$ 406.5	\$ 407.2	\$ 358.3	\$ (765.5)	\$ 406.5

**Condensed, Consolidating Statement of Comprehensive Income**

	Three months ended March 31, 2013				
	Parent	CFI	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net earnings	\$ 406.5	\$ 407.2	\$ 384.0	\$ (768.3)	\$ 429.4
Other comprehensive income	(60.5)	(60.5)	(107.1)	167.0	(61.1)
Comprehensive income	346.0	346.7	276.9	(601.3)	368.3
Less: Comprehensive income attributable to noncontrolling interest			25.7	(3.4)	22.3
Comprehensive income attributable to common stockholders	\$ 346.0	\$ 346.7	\$ 251.2	\$ (597.9)	\$ 346.0

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

	Three months ended March 31, 2012				
	Parent	CFI	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net sales	\$	\$ 915.9	\$ 730.4	\$ (118.7)	\$ 1,527.6
Cost of sales		520.7	327.1	(32.0)	815.8
Gross margin		395.2	403.3	(86.7)	711.8
Selling, general and administrative expenses	0.5	26.8	6.5		33.8
Other operating net		7.2	15.1		22.3
Total other operating costs and expenses	0.5	34.0	21.6		56.1
Equity in earnings of operating affiliates		4.4	11.1		15.5
Operating earnings (loss)	(0.5)	365.6	392.8	(86.7)	671.2
Interest expense	0.1	28.1	2.8	(0.1)	30.9
Interest income		(0.2)	(0.3)	0.1	(0.4)
Net (earnings) of wholly-owned subsidiaries	(368.8)	(151.5)		520.3	
Other non-operating net		0.2	(0.3)		(0.1)
Earnings before income taxes and equity in earnings of non-operating affiliates	368.2	489.0	390.6	(607.0)	640.8
Income tax (benefit) provision	(0.2)	120.2	86.8		206.8
Equity in loss of non-operating affiliates net of taxes			(2.3)		(2.3)
Net earnings	368.4	368.8	301.5	(607.0)	431.7
Less: Net earnings attributable to noncontrolling interest			150.0	(86.7)	63.3
Net earnings attributable to common stockholders	\$ 368.4	\$ 368.8	\$ 151.5	\$ (520.3)	\$ 368.4

**Condensed, Consolidating Statement of Comprehensive Income**

	Three months ended March 31, 2012				
	Parent	CFI	Other Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net earnings	\$ 368.4	\$ 368.8	\$ 301.5	\$ (607.0)	\$ 431.7
Other comprehensive income (loss)	27.2	27.2	25.7	(52.3)	27.8
Comprehensive income	395.6	396.0	327.2	(659.3)	459.5
Less: Comprehensive income attributable to noncontrolling interest			150.0	(86.2)	63.8
Comprehensive income attributable to common stockholders	\$ 395.6	\$ 396.0	\$ 177.2	\$ (573.1)	\$ 395.7

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

	March 31, 2013				
	Parent	CFI	Other Subsidiaries	Eliminations and Reclassifications	Consolidated
	(in millions)				
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2.2	\$ 348.1	\$ 1,860.0	\$	\$ 2,210.3
Accounts and notes receivable-net	163.0	376.8	2,003.7	(2,300.8)	242.7
Inventories net		67.4	318.4		385.8
Prepaid income taxes	0.3			(0.3)	
Deferred income taxes			38.5		38.5
Other			30.4		30.4
<b>Total current assets</b>	<b>165.5</b>	<b>792.3</b>	<b>4,251.0</b>	<b>(2,301.1)</b>	<b>2,907.7</b>
Property, plant and equipment net		444.4	3,493.7		3,938.1
Investments in and advances to affiliates	5,653.0	7,657.7	905.5	(13,310.4)	905.8
Asset retirement obligation funds		200.8			200.8
Due from affiliates	570.7		1.7	(572.4)	
Goodwill		0.9	2,063.6		2,064.5
Other assets		112.1	209.4		321.5
<b>Total assets</b>	<b>\$ 6,389.2</b>	<b>\$ 9,208.2</b>	<b>\$ 10,924.9</b>	<b>\$ (16,183.9)</b>	<b>\$ 10,338.4</b>
<b>Liabilities and Equity</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 656.9	\$ 326.7	\$ 855.2	\$ (1,390.3)	\$ 448.5
Income taxes payable		32.7	91.1	(0.3)	123.5
Customer advances			698.6		698.6
Notes payable		888.2	14.3	(897.7)	4.8
Distributions payable to noncontrolling interest			19.6	(14.3)	5.3
Other			4.6		4.6
<b>Total current liabilities</b>	<b>656.9</b>	<b>1,247.6</b>	<b>1,683.4</b>	<b>(2,302.6)</b>	<b>1,285.3</b>
Long-term debt		1,600.0			1,600.0
Deferred income taxes			885.2		885.2
Due to affiliates		572.4		(572.4)	
Other noncurrent liabilities		135.2	315.0		450.2
Equity:					
Stockholders' equity:					
Preferred stock			65.3	(65.3)	
Common stock	0.6		1.2	(1.2)	0.6
Paid-in capital	2,509.0	739.9	8,324.2	(9,064.1)	2,509.0
Retained earnings	3,842.4	5,023.2	(606.5)	(4,416.7)	3,842.4
Treasury stock	(509.6)				(509.6)
Accumulated other comprehensive income (loss)	(110.1)	(110.1)	(110.0)	220.1	(110.1)
<b>Total stockholders' equity</b>	<b>5,732.3</b>	<b>5,653.0</b>	<b>7,674.2</b>	<b>(13,327.2)</b>	<b>5,732.3</b>
Noncontrolling interest			367.1	18.3	385.4

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Total equity	5,732.3	5,653.0	8,041.3	(13,308.9)	6,117.7
Total liabilities and equity	\$ 6,389.2	\$ 9,208.2	\$ 10,924.9	\$ (16,183.9)	\$ 10,338.4

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

	December 31, 2012				
	Parent	CFI	Other Subsidiaries	Eliminations and Reclassifications	Consolidated
	(in millions)				
<b>Assets</b>					
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
<b>Total current assets</b>		<b>1,446.0</b>	<b>2,939.3</b>	<b>(1,577.7)</b>	<b>2,807.6</b>
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
<b>Total assets</b>	<b>\$ 5,902.2</b>	<b>\$ 9,134.4</b>	<b>\$ 8,953.7</b>	<b>\$ (13,823.4)</b>	<b>\$ 10,166.9</b>
<b>Liabilities and Equity</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$	\$ 222.6			