CF Industries Holdings, Inc.
Form 10-K
February 26, 2009

Use these links to rapidly review the document
CF INDUSTRIES HOLDINGS, INC. TABLE OF CONTENTS
PART IV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)	
ý	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the fiscal year ended December 31, 2008
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	Commission file number 001-32597

CF INDUSTRIES HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**20-2697511**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4 Parkway North, Suite 400, Deerfield, Illinois	**60015**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(847) 405-2400**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value per share	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

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

The aggregate market value of the registrant's common stock held by non-affiliates was $8,592,410,193 based on the closing sale price of common stock on June 30, 2008.

48,393,284 shares of the registrant's common stock, $0.01 par value per share, were outstanding at January 31, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2009 annual meeting of stockholders (Proxy Statement), which is expected to be filed with the Securities and Exchange Commission pursuant to Regulation 14A on or about Friday, April 3, 2009, are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

CF INDUSTRIES HOLDINGS, INC.

TABLE OF CONTENTS

PART I			
	Item 1.	Business	1
	Item 1A.	Risk Factors	15
	Item 1B.	Unresolved Staff Comments	26
	Item 2.	Properties	26
	Item 3.	Legal Proceedings	26
	Item 4.	Submission of Matters to a Vote of Security Holders	27
PART II			
	Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	28
	Item 6.	Selected Financial Data	30
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	33
	Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	69
	Item 8.	Financial Statements and Supplementary Data	71
		Report of Independent Registered Public Accounting Firm	71
		Consolidated Statements of Operations	72
		Consolidated Statements of Comprehensive Income (Loss)	73
		Consolidated Balance Sheets	74
		Consolidated Statements of Stockholders' Equity	75
		Consolidated Statements of Cash Flows	76
		Notes to Consolidated Financial Statements	77
	Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	124
	Item 9A.	Controls and Procedures	124
	Item 9B.	Other Information	126
PART III			
	Item 10.	Directors, Executive Officers and Corporate Governance	127
	Item 11.	Executive Compensation	127
	Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	127
	Item 13.	Certain Relationships and Related Transactions, and Director Independence	128
	Item 14.	Principal Accountant Fees and Services	128
PART IV			
	Item 15.	Exhibits, Financial Statement Schedules	129

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

PART I

ITEM 1. BUSINESS.

Our Company

All references to "CF Holdings," "the Company," "we," "us" and "our" refer to CF Industries Holdings, Inc. and its subsidiaries, including CF Industries, Inc., except where the context makes clear that the reference is only to CF Holdings itself and not its subsidiaries. All references to "our pre-IPO owners" refer to the eight stockholders of CF Industries, Inc. prior to the consummation of our reorganization transaction and initial public offering (IPO) which closed on August 16, 2005.

We are one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in North America. Our operations are organized into two business segments: the nitrogen segment and the phosphate segment. Our principal products in the nitrogen segment are ammonia, urea and urea ammonium nitrate solution (UAN). Our principal products in the phosphate segment are diammonium phosphate (DAP), monoammonium phosphate (MAP) and granular muriate of potash (potash). For the twelve months ended June 30, 2007, the most recent period for which such information is available from the Association of American Plant Food Control Officials, we supplied approximately 22% of the nitrogen and approximately 14% of the phosphate used in agricultural fertilizer applications in the United States. Our core market and distribution facilities are concentrated in the Midwestern U.S. grain-producing states.

Our principal assets include:

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

For the year ended December 31, 2008, we sold 6.1 million tons of nitrogen fertilizers and 1.8 million tons of phosphate fertilizers, generating net sales of $3.9 billion.

Our principal executive offices are located outside of Chicago, Illinois, at 4 Parkway North, Suite 400, Deerfield, Illinois 60015. Our Internet website address is *www.cfindustries.com.*

We make available free of charge on or through our Internet website, *www.cfindustries.com*, all of our reports on Forms 10-K, 10-Q and 8-K and all amendments to those reports as soon as reasonably practicable after such material is filed electronically with, or furnished to, the Securities and Exchange Commission (SEC). Copies of our Corporate Governance Guidelines, Code of Corporate Conduct and charters for the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee of our Board of Directors are also available on our Internet website. We will provide electronic or paper copies of these documents free of charge upon request. The SEC also

1

Table of Contents

maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Company History

We were founded in 1946 as a fertilizer brokerage operation by a group of regional agricultural cooperatives seeking to pool their purchasing power. During the 1960s, we expanded our distribution capabilities and diversified into fertilizer manufacturing through the acquisition of several existing plants and facilities. During the 1970s and again during the 1990s, we expanded our production and distribution capabilities significantly, spending approximately $1 billion in each of these decades.

Through the end of 2002, we operated as a traditional supply cooperative. Our focus was on providing our pre-IPO owners with an assured supply of fertilizer. Typically, over 80% of our annual sales volume was to our pre-IPO owners. Though important, financial performance was subordinate to our mandated supply objective.

In 2002, we reassessed our corporate mission and adopted a new business model that established financial performance, rather than assured supply to our pre-IPO owners, as our principal objective. A critical aspect of the new business model was to establish a more economically driven approach to the marketplace. We began to pursue markets and customers and make pricing decisions with a primary focus on financial performance. One result of this approach was a substantial shift in our customer mix. By 2008, our sales to customers other than our pre-IPO owners and Viterra, our joint venture partner in CFL, reached approximately 53% of our total sales volume for the year, which was more than double the comparable percentage for 2002.

In August 2005, we completed our initial public offering of common stock and listing on the New York Stock Exchange. We sold approximately 47.4 million shares of our common stock in the offering and received net proceeds, after deducting underwriting discounts and commissions, of approximately $715.4 million. We did not retain any of the proceeds from the IPO. In connection with the IPO, we consummated a reorganization transaction whereby we ceased to be a cooperative. In the reorganization transaction, our pre-IPO owners' equity interests in CF Industries, Inc., now our wholly-owned subsidiary, were cancelled in exchange for all of the proceeds of the offering and approximately 7.6 million shares of our common stock.

Operating Segments

Our business is divided into two operating segments, the nitrogen segment and the phosphate segment. The Nitrogen segment includes the manufacture and sale of ammonia, urea, and UAN. The phosphate segment includes the manufacture and sale of DAP, MAP and the sale of potash.

Nitrogen Segment

We are one of the leading nitrogen fertilizer producers in North America. Our primary nitrogen fertilizer products are ammonia, urea and UAN. Our historical sales of nitrogen fertilizer products are shown in the following table. The sales shown do not reflect amounts used internally in the

Table of Contents

manufacture of other products (for example in 2008, we used about 2.2 million tons of ammonia in the production of urea and UAN).

	2008		2007		2006	
	Tons	Net Sales	Tons	Net Sales	Tons	Net Sales
	(tons in thousands; dollars in millions)					
Nitrogen Fertilizer Products						
Ammonia	1,079	$ 604.1	1,434	$ 556.0	1,226	$ 443.7
Urea	2,617	1,208.3	2,701	889.0	2,619	657.0
UAN	2,405	772.6	2,754	591.8	2,420	416.8
Other nitrogen fertilizers[1]	40	6.1	49	5.1	45	4.4
Total	6,141	$2,591.1	6,938	$2,041.9	6,310	$1,521.9

(1) Other nitrogen segment products include aqua ammonia.

Gross margin for the nitrogen segment was $770.3 million, $446.8 million and $98.5 million for the fiscal years ended December 31, 2008, 2007 and 2006, respectively.

Total assets for the nitrogen segment were $758.2 million and $593.9 million as of December 31, 2008 and 2007, respectively.

We operate world-scale nitrogen fertilizer production facilities in Donaldsonville, Louisiana and Medicine Hat, Alberta, Canada. We own the Donaldsonville nitrogen fertilizer complex and have a 66% economic interest in CFL, a Canadian joint venture that owns the Medicine Hat nitrogen fertilizer complex. The combined production capacity of these two facilities represented approximately 20% of North American ammonia capacity, 34% of North American dry urea capacity and 18% of North American UAN capacity in 2008.

The following table summarizes our nitrogen fertilizer production volume for the last three years at our facilities in Donaldsonville, Louisiana and Medicine Hat, Alberta.

	December 31,		
	2008	2007	2006
	(tons in thousands)		
Ammonia[1][2]	3,249	3,289	3,158
Granular urea[2]	2,355	2,358	2,334
UAN (28%)	2,602	2,611	2,336

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

(2) Includes total production of the Donaldsonville and Medicine Hat facilities, including the 34% interest of Viterra, our joint venture partner in Canadian Fertilizers Limited.

Donaldsonville Nitrogen Complex

The Donaldsonville nitrogen fertilizer complex is the largest nitrogen fertilizer production facility in North America. It has four world-scale ammonia plants, four urea plants and two UAN plants. It has the annual capacity to produce approximately 2.3 million tons of ammonia (most of which is typically upgraded into urea and UAN), 2.6 million tons of liquid urea (including amounts upgraded into UAN) and 2.7 million tons of

UAN (measured on a 28% nitrogen content basis). With the UAN plants

operating at capacity, approximately 1.7 million tons of granular urea can be produced. Granular urea production can be increased to 2 million tons per year if UAN production is reduced.

We believe that this facility is the most versatile nitrogen fertilizer production complex in North America. With multiple production units for each product, the complex has considerable flexibility to adjust its product mix. Donaldsonville is located near the mouth of the Mississippi River and has three docks that can be used simultaneously under most river conditions. In addition, Donaldsonville is located on the Union Pacific railroad and a 2000-mile ammonia pipeline, providing us with flexible and competitively priced transportation to our in-market nitrogen fertilizer terminals and warehouses by rail and pipeline, as well as by barge. The facility is capable of docking and unloading into its storage system ocean-going ship loads of ammonia and UAN, providing us with direct access to global suppliers. The complex has on-site storage for 70,000 tons of ammonia, 135,000 tons of UAN (measured on a 28% nitrogen content basis) and 83,000 tons of granular urea, providing us with flexibility to handle temporary disruptions to shipping activities without impacting production and also flexibility to purchase and store liquid product for resale.

Medicine Hat Nitrogen Complex

Medicine Hat is the largest nitrogen fertilizer complex in Canada. It has two world-scale ammonia plants that have a combined gross annual production capacity of approximately 1.3 million tons and a world-scale urea plant that has a gross annual production capacity of 810,000 tons. The complex has on-site storage for 60,000 tons of ammonia and 70,000 tons of urea, providing flexibility to handle temporary disruptions of outbound shipments.

The Medicine Hat facility is owned by CFL. We own 49% of the voting common stock of CFL and 66% of CFL's non-voting preferred stock. Viterra owns 34% of the voting common stock and non-voting preferred stock of CFL. The remaining 17% of the voting common stock of CFL is owned by GROWMARK, Inc. (GROWMARK) and La Coop fédérée. We designate four members of CFL's nine-member board of directors, Viterra designates 3 members and GROWMARK and La Coop fédérée each designate one member. CFL is a consolidated variable interest entity in our financial statements.

We operate the Medicine Hat facility and purchase approximately 66% of the facility's ammonia and urea production, pursuant to a management agreement and a product purchase agreement. Both the management agreement and the product purchase agreement can be terminated by either CF Industries, Inc. or CFL upon a twelve-month notice. Viterra has the right, but not the obligation, to purchase the remaining 34% of the facility's ammonia and urea production under a similar product purchase agreement. To the extent that Viterra does not purchase its 34% of the facility's production, we are obligated to purchase any remaining amounts. Since 1995, however, Viterra or its predecessor has purchased at least 34% of the facility's production each year.

Under the product purchase agreements, both we and Viterra pay the greater of operating cost or market price for purchases. However, the product purchase agreements also provide that CFL will distribute its net earnings to Viterra and us annually based on the respective quantities of product purchased from CFL. Our product purchase agreement also requires us to advance funds to CFL in the event that CFL is unable to meet its debts as they become due. The amount of each advance would be at least 66% of the deficiency and would be more in any year in which we purchased more than 66% of Medicine Hat's production. A similar obligation also exists for Viterra. We and Viterra currently manage CFL such that each party is responsible for its share of CFL's fixed costs and CFL's production volume is managed to meet the parties' combined requirements. The management

agreement, the product purchase agreements and any other agreements related to CFL are subject to change with the consent of both parties.

Nitrogen Fertilizer Raw Materials

Natural gas is the principal raw material, as well as the primary fuel source, used in the ammonia production process at both the Donaldsonville and the Medicine Hat facilities. In 2008, our natural gas purchases accounted for approximately 56% of our total cost of sales for nitrogen fertilizers and a higher percentage of cash production costs (total production costs less depreciation and amortization). Donaldsonville is located in close proximity to one of the most heavily-traded natural gas pricing basis in North America, known as the Henry Hub. Medicine Hat is located in close proximity to one of the most heavily-traded natural gas pricing basis in Canada, known as AECO.

We use a combination of spot and term purchases of varied duration from a variety of suppliers to maintain a reliable, competitively-priced natural gas supply. In addition, we use certain financial instruments to hedge natural gas prices.

In 2008, the Donaldsonville nitrogen fertilizer complex consumed approximately 78 million MMBtus of natural gas. The facility has access to five natural gas pipelines and obtains gas from several suppliers. In 2008, the largest individual supplier provided approximately 54% of the Donaldsonville facility's total gas requirement. The Medicine Hat complex consumed approximately 41 million MMBtus of natural gas in 2008. The facility has access to two natural gas pipelines and obtains gas from numerous suppliers, the largest of which supplied approximately 27% of the gas consumed in 2008.

Nitrogen Fertilizer Distribution

The Donaldsonville nitrogen fertilizer complex, which is located on the Mississippi River, includes a deep-water docking facility, access to an ammonia shipping pipeline, and truck and railroad loading capabilities. We ship our share of ammonia and urea produced at the Medicine Hat nitrogen fertilizer complex by truck and rail to customers in the United States and Canada and to our storage facilities in the northern United States.

Ammonia, urea and UAN from Donaldsonville can be loaded into river barges and ocean-going vessels for direct shipment to domestic customers, for transport to storage facilities, or for export. We own six ammonia river barges with a total capacity of approximately 16,400 tons. We contract on a dedicated basis for tug services and the operation of these barges. We have 20 UAN river barges contracted on a dedicated basis with a total capacity of approximately 60,000 tons. Additional ammonia and UAN barge capacity is contracted for as needed. River transportation for urea is provided primarily under an agreement with one of the major inland river system barge operators.

The Donaldsonville facility is connected to a 2,000-mile long ammonia pipeline used by several nitrogen producers to transport ammonia to over 20 terminals and shipping points located in the Midwestern U.S. cornbelt. We are a major customer of this ammonia pipeline. In 2008, approximately 63% of our ammonia shipments from our Donaldsonville nitrogen fertilizer complex were transported via the ammonia pipeline.

We also transport substantial volumes of urea and UAN from the Donaldsonville nitrogen fertilizer complex and ammonia and urea from the Medicine Hat nitrogen fertilizer complex by rail. In addition to using rail cars provided by the rail carriers, as of December 31, 2008, we had leases in place for approximately 600 ammonia tank cars, 1,100 UAN tank cars and 600 dry product hopper cars.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Phosphate Segment

We are a major manufacturer of phosphate fertilizer products. Our main phosphate fertilizer products are DAP and MAP. We have also started to purchase potash fertilizer to be resold from our Midwest market distribution facilities. Sales of potash are expected to commence in the spring 2009 season. Potash results are included in the phosphate segment.

Our historical sales of phosphate fertilizer products are shown in the table below.

	2008		2007		2006	
	Tons	Net Sales	Tons	Net Sales	Tons	Net Sales
	(tons in thousands; dollars in millions)					
Phosphate Fertilizer Products						
DAP	1,532	$ 1,165.0	1,624	$ 579.4	1,676	$ 407.3
MAP	255	165.0	370	135.4	414	103.7
Total	1,787	$ 1,330.0	1,994	$ 714.8	2,090	$ 511.0

Gross margin for the phosphate segment was $452.4 million, $223.2 million and $48.7 million for the fiscal years ended December 31, 2008, 2007 and 2006, respectively.

Total assets for the phosphate segment were $764.1 million and $493.5 million as of December 31, 2008 and 2007, respectively.

Our phosphate fertilizer manufacturing operations are located in central Florida and consist of a phosphate fertilizer chemical complex in Plant City and a phosphate rock mine, a beneficiation plant and phosphate rock reserves in Hardee County. We own each of these facilities and properties.

The following table summarizes our phosphate fertilizer production volumes for the last three years and current production capacities for phosphate-related products.

	December 31,			Normalized Annual
	2008	2007	2006	Capacity
	(tons in thousands)			
Hardee Phosphate Rock Mine				
Phosphate rock	3,443	3,233	3,805	3,500
Plant City Phosphate Fertilizer Complex				
Sulfuric acid	2,448	2,531	2,598	2,800[1]
Phosphoric acid as P_2O_5[2]	985	976	1,009	1,055[1]
DAP/MAP	1,980	1,948	2,023	2,165[1]

(1) Reflects debottlenecking projects, which have increased our total capacity.

(2) P_2O_5 is the basic measure of the nutrient content in phosphate fertilizer products. Phosphoric acid capacity is based on captive sulfuric acid capacity.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Hardee County Phosphate Rock Mine

In 1975, we purchased 20,000 acres of land in Hardee County, Florida that was originally estimated to contain in excess of 100 million tons of recoverable rock reserves. Between 1978 and mid-1993, we operated a one million ton per year phosphate rock mine on a 5,000-acre portion of these reserves.

In 1992, we initiated a project to expand and relocate mining operations to the remaining 15,000-acre area of the reserve property. The new phosphate rock mine cost $135 million and began operations in late 1995. In 1997, we added approximately 20 million tons to our reserve base through an exchange with a neighboring rock producer. In 1999, we acquired 1,400 acres containing an estimated 8 million tons of rock reserves. In 2008, we acquired approximately 800 acres of land containing an estimated 1.6 million tons of rock reserves.

The table below shows the estimated reserves at the Hardee phosphate complex as of December 31, 2008. Also reflected in the table is the grade of the reserves, expressed as a percentage of bone phosphate of lime (BPL) and P_2O_5. Finally, the table also reflects the average values of the following material contaminants contained in the reserves: ferrous oxide (Fe_2O_3) plus aluminum oxide (Al_2O_3) and magnesium oxide (MgO).

PROVEN AND PROBABLE RESERVES[1]
Hardee Phosphate Complex
As of December 31, 2008

	Recoverable Tons[2] (in millions)	% BPL	% P_2O_5	% $Fe_2O_3 + Al_2O_3$	% MgO
Permitted	49.7	64.68	29.60	2.37	0.78
Pending permit	32.6	64.45	29.50	2.40	0.80
Total	82.3	64.59	29.56	2.38	0.79

(1) The minimum drill hole density for the proven reserves classification is 1 hole per 20 acres.

(2) The reserve estimates provided have been developed by the Company in accordance with Industry Guide 7 promulgated by the SEC. We estimate that 99% of the reserves are proven.

Our phosphate reserve estimates are based on geological data assembled and analyzed by our staff geologist as of December 31, 2008. Reserve estimates are updated periodically to reflect actual phosphate rock production, new drilling information and other geological or mining data. Estimates for 99% of the reserves are based on 20-acre density drilling.

Plant City Phosphate Complex

Our Plant City phosphate fertilizer complex is one of the largest phosphate fertilizer facilities in North America. At one million tons per year, its phosphoric acid capacity represents approximately 10% of the total U.S. capacity. All of Plant City's phosphoric acid is converted into ammonium phosphates (DAP and MAP), representing approximately 12% of U.S. capacity for ammonium phosphate fertilizer products in 2008. The combination of the Plant City phosphate fertilizer complex and the Hardee mine gives us one of the largest integrated ammonium phosphate fertilizer operations in North America.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Bartow Phosphate Complex

We own a former phosphate manufacturing complex in Bartow, Florida that ceased production in 1999. The site contains the former manufacturing facilities, storage and distribution facilities and the phosphogypsum stack system. In 2007, we sold the storage and distribution facilities, along with approximately 35 acres of land, and are currently dismantling the manufacturing facilities in accordance with local laws and regulations. We continue to be obligated for the closure of the phosphogypsum stack system, management of water treatment on the site and providing long-term care for the site.

Phosphate Raw Materials

Phosphate Rock Supply. Phosphate rock is the basic nutrient source for phosphate fertilizers. Approximately 3.5 tons of phosphate rock are needed to produce one ton of P_2O_5 (the measure of nutrient content of phosphate fertilizers). Our Plant City phosphate fertilizer complex consumes in excess of three million tons of rock annually. As of December 31, 2008, our Hardee rock mine had approximately 14 years of fully-permitted recoverable phosphate reserves remaining at current operating rates. We have initiated the process of applying for authorization and permits to expand the geographical area at our Hardee property where we can mine. The expanded area has an estimated 33 million tons of recoverable phosphate reserves. We estimate that we will be able to conduct mining operations at our Hardee property for approximately nine additional years at current operating rates, assuming we secure the authorization and permits to mine in this area.

Sulfur Supply. Sulfur is used to produce sulfuric acid, which is combined with phosphate rock to produce phosphoric acid. Approximately three-quarters of a long ton of sulfur is needed to produce one ton of P_2O_5. Our Plant City phosphate fertilizer complex uses approximately 800,000 long tons of sulfur annually when operating at capacity. We obtain molten sulfur from several domestic and foreign producers under contracts of varied duration. In 2008, Martin Sulphur, our largest molten sulfur supplier, supplied approximately 56% of the molten sulfur used at Plant City.

Ammonia Supply. DAP and MAP have a nitrogen content of 18% and 11%, respectively, and a phosphate nutrient content of 46% and 52%, respectively. Ammonia is the primary source of nitrogen in DAP and MAP. Operating at capacity, our Plant City phosphate fertilizer complex consumes approximately 400,000 tons of ammonia annually.

The ammonia used at our Plant City phosphate fertilizer complex is shipped by rail from our ammonia storage facility located in Tampa, Florida. This facility, acquired in 1992, consists of a 38,000-ton ammonia storage tank, access to a deep-water dock that is capable of discharging ocean-going vessels, and rail and truck-loading facilities. In addition to supplying our Plant City phosphate fertilizer complex, our Tampa ammonia distribution system has the capacity to support ammonia sales to, and distribution services for, other customers. Sales of ammonia from our Tampa terminal are reported in our nitrogen business segment. The ammonia supply for Tampa is purchased from offshore sources, providing us with access to the broad international ammonia market.

Phosphate Distribution

We operate a phosphate warehouse located at a deep-water port facility in Tampa, Florida. Most of the phosphate fertilizer produced at Plant City is shipped by truck or rail to our Tampa warehouse, where it is loaded onto vessels for shipment to export customers or for transport across the Gulf of Mexico to the Mississippi River. In 2008, our Tampa warehouse handled approximately 1.2 million tons of phosphate fertilizers, or about 61% of our production. The remainder of our phosphate fertilizer production is transported by truck or rail directly to customers or to in-market storage facilities.

CF INDUSTRIES HOLDINGS, INC.

Phosphate fertilizer shipped across the Gulf of Mexico to the Mississippi River is transferred into river barges near New Orleans. Phosphate fertilizer in these river barges is transported to our storage facilities or delivered directly to customers. River transportation is provided primarily under an agreement with one of the major inland river system barge operators.

Storage Facilities and Other Properties

We currently own or rent space at 39 in-market storage terminals and warehouses located in a 14-state region. Including storage at our production facilities and at the Tampa warehouse and ammonia terminal, we have an aggregate storage capacity for approximately two million tons of fertilizer. Our storage capabilities are summarized in the following table.

	Ammonia		UAN[1]		Dry Products[2]	
	Number of Facilities	Capacity (tons in thousands)	Number of Facilities	Capacity (tons in thousands)	Number of Facilities	Capacity (tons in thousands)
Plants	2	130	1	135	3	210
Tampa Port	1	38			1	75
		168		135		285
In-Market Locations						
Owned	19	680	9	245	5	360
Leased[3]			5	81	1	26
Total in-market	19	680	14	326	6	386
Total Storage Capacity		848		461		671

(1) Capacity is expressed as the equivalent volume of UAN measured on a 28% nitrogen content basis.

(2) Our dry products include urea, DAP and MAP.

(3) Our lease agreements are typically for periods of one to three years.

In addition to these facilities, we also own our former corporate headquarters facility, located in Long Grove, Illinois. In 2007, we relocated our corporate headquarters to a leased office facility located in Deerfield, Illinois. We are currently seeking a buyer for our facility in Long Grove, Illinois.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Customers

The principal customers for our nitrogen and phosphate fertilizers are cooperatives and independent fertilizer distributors. Sales are generated by CF's internal marketing and sales force.

The following table sets forth the sales to our major customers for the past three years.

	2008		2007		2006	
	Sales	Percent	Sales	Percent	Sales	Percent
	(in millions)					
Sales by major customer						
CHS Inc.[1]	$ 796.4	20%	$ 654.4	24%	$ 518.4	26%
KEYTRADE AG[2]	452.2	12%	33.1	1%	18.1	1%
GROWMARK, Inc.	377.2	10%	288.4	10%	250.7	12%
Gavilon Fertilzer LLC[3]	353.1	9%	238.4	9%	221.3	11%
Others	1,942.2	49%	1,542.4	56%	1,024.4	50%
Consolidated	$3,921.1	100%	$2,756.7	100%	$2,032.9	100%

(1) Includes sales to Agriliance, LLC (a 50-50 joint venture between CHS Inc. (CHS) and Land O'Lakes, Inc.) prior to the September 1, 2007 transaction in which Agriliance distributed its crop nutrients business to CHS.

(2) The Company owns 50% of the common stock of KEYTRADE AG (Keytrade). Keytrade is a reseller of fertilizer products that it purchases from various manufacturers around the world and resells in approximately 50 countries through a network of seven offices. We utilize Keytrade as our exclusive exporter of phosphate fertilizers from North America and importer of UAN products into North America. Profits resulting from sales or purchases with Keytrade are eliminated until realized by Keytrade or us, respectively. See Item 8. Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements, Note 18 Investments in and Advances to Unconsolidated Affiliates.

(3) Gavilon Fertilizer LLC (Gavilon) was previously ConAgra International Fertilizer Company, a wholly-owned subsidiary of ConAgra Foods, Inc.

CHS, GROWMARK, and Gavilon are significant customers of both the nitrogen and phosphate segments. A loss of any of these customers could have a material adverse effect on our consolidated results of operations and the individual results of each segment.

The chief executive officer of GROWMARK, William Davisson, and the president and chief executive officer of CHS, John D. Johnson, serve as members of our board of directors. As of December 31, 2008, GROWMARK was the beneficial owner of approximately 3% of our outstanding common stock. For additional information on related party transactions, see Item 8. Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements, Note 32 Related Party Transactions.

From October 2006 to December 2007, we were a member of Phosphate Chemicals Export Association, Inc, (PhosChem). PhosChem was founded in 1974 in accordance with the provisions of the U.S. Webb-Pomerene Act and is the export marketing association for its members. In 2007, PhosChem was our primary means of exporting phosphate products, representing approximately 5% of our 2007 phosphate net sales. In December 2007, we began an exclusive marketing arrangement with Keytrade under which Keytrade became our exclusive exporter of phosphate products outside of the U.S. Concurrent with the start of the Keytrade marketing arrangement, we ended our membership in

PhosChem. No gain or loss was recognized exiting PhosChem. For additional information on Keytrade, see Item 8. Financial Statements and Supplementary Data., Notes to the Consolidated Financial Statements, Note 18 Investments in and Advances to Unconsolidated Affiliates.

Competition

Our markets are intensely competitive, based primarily on delivered price and to a lesser extent on customer service and product quality. During the peak demand periods, product availability and delivery time also play a role in the buying decisions of customers.

In our nitrogen segment, our primary North American-based competitors are Agrium, Koch Nitrogen and Terra Industries. There is also significant competition from product sourced from regions of the world with low natural gas costs. Because urea is a widely-traded fertilizer product and there are limited barriers to entry, competition from foreign-sourced product is particularly acute with respect to urea.

In our phosphate segment, our primary North American-based competitors are Agrium, Mosaic, Potash Corp. and Simplot. Historically, imports have not been a factor, as the United States is a large net exporter of phosphate fertilizers.

Seasonality

The sales patterns of all five of our major products are seasonal. The strongest demand for our products occurs during the spring planting season, with a second period of strong demand following the fall harvest. We and/or our customers generally build inventories during the low demand periods of the year in order to ensure timely product availability during the peak sales seasons. Seasonality is greatest for ammonia due to the limited ability of our customers and their customers to store significant quantities of this product. The seasonality of fertilizer demand generally results in our sales volumes and net sales being the highest during the spring and our working capital requirements being the highest just prior to the start of the spring season. Our quarterly financial results can vary significantly from one year to the next due to weather-related shifts in planting schedules and purchasing patterns.

Financial Information About Foreign and Domestic Sales and Operations

The amount of net sales attributable to our sales to foreign and domestic markets over the last three fiscal years and the carrying value of our foreign and domestic assets are set forth in Item 8. Financial Statements and Supplementary Data., Notes to the Consolidated Financial Statements, Note 31 Segment Disclosures.

Environment, Health and Safety

We are subject to numerous environmental, health and safety laws and regulations, including laws and regulations relating to land reclamation; the generation, treatment, storage, disposal and handling of hazardous substances and wastes; and the cleanup of hazardous substance releases. These laws include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Toxic Substances Control Act and various other federal, state, provincial, local and international statutes. Violations can result in substantial penalties, court orders to install pollution-control equipment, civil and criminal sanctions, permit revocations and facility shutdowns. In addition, environmental, health and safety laws and regulations may impose joint and several liability, without regard to fault, for cleanup costs on potentially responsible parties who have released or disposed of hazardous substances into the environment.

CF INDUSTRIES HOLDINGS, INC.

We have received notices from time to time from governmental agencies or third parties alleging that we are a potentially responsible party at certain sites under CERCLA or other environmental cleanup laws. We are currently involved in remediation activities at certain of our current and former facilities. We are also participating in the cleanup of third-party sites at which we have disposed of wastes. In April 2002, we were asked by the current owner of a former phosphate mine and processing facility that we operated in the late 1950s and early 1960s located in Georgetown Canyon, Idaho, to contribute to a remediation of this property. We declined to participate in the cleanup. In January 2009, we were again asked to participate in the remediation of the property. It is our understanding that the current owner signed a Consent Judgment with the Idaho Department of Environmental Quality (IDEQ) for cleanup of the processing portion of the site and has submitted a Draft Remedial Action Plan that is under review by the IDEQ and related agencies. We anticipate that the current owner may bring a lawsuit against us seeking contribution for the cleanup costs, although we do not have sufficient information to determine when such a suit may be brought. We are not able to estimate at this time our potential liability, if any, with respect to the remediation of this property. Based on currently available information, we do not expect that any remedial or financial obligations we may be subject to involving this or other sites will have a material adverse effect on our business, financial condition, results of operations or cash flows.

In December 2004 and January 2005, the United States Environmental Protection Agency (EPA) inspected our Plant City, Florida phosphate fertilizer complex to evaluate the facility's compliance with RCRA, the federal statute that governs the generation, transportation, treatment, storage and disposal of hazardous wastes. By letter dated September 27, 2005, EPA Region IV issued to the Company a Notice of Violation (NOV) and Compliance Evaluation Inspection Report. The NOV and Compliance Evaluation Inspection Report alleged a number of violations of RCRA, including violations relating to recordkeeping, the failure to properly make hazardous waste determinations as required by RCRA, and alleged treatment of sulfuric acid waste without a permit. The most significant allegation in the NOV is that the Plant City facility's reuse of phosphoric acid process water (which is otherwise exempt from regulation as a hazardous waste) in the production of ammoniated phosphate fertilizer, and the return of this process water to the facility's process water recirculating system, has resulted in the disposal of hazardous waste into the system without a permit. The Compliance Evaluation Inspection Report indicates that as a result, the entire process water system, including all pipes, cooling ponds and gypsum stacks, could be regulated as hazardous waste management units under RCRA. If the EPA's position is eventually upheld, the Company could incur material expenditures in order to modify its practices, or it may be required to comply with regulations applicable to hazardous waste treatment, storage or disposal facilities. This would cause a significant disruption of the operations of the Plant City facility. The Company has conducted a successful pilot test to eliminate the use of process water in the ammoniated phosphate fertilizer scrubbers. Although this does not fully resolve the NOV or address all of the issues identified by the EPA and Department of Justice, this does address a significant issue identified in the NOV. The EPA has referred the matter to the Department of Justice for enforcement. For additional information, see Item 3. Legal Proceedings.

We expect continued government and public emphasis on environmental issues will result in increased future investments for environmental controls at our ongoing operations. Our environmental, health and safety capital expenditures in 2008 were approximately $5.6 million. We estimate that we will spend approximately $14 million in 2009 for environmental, health and safety capital expenditures. Environmental, health and safety laws and regulations are complex, change frequently and have tended to become more stringent over time. For example, there is increasing government and public emphasis on the impact of carbon emissions on the environment, and various taxes, limits or caps have been proposed on carbon emissions. Like other fertilizer and chemical producers, our plants emit carbon dioxide as part of the manufacturing process. We may be required to incur additional expenditures to

comply with new environmental, health and safety laws and regulations, and any such laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

We hold numerous environmental and mining permits authorizing operations at our facilities. A decision by a government agency to deny or delay issuing a new or renewed material permit or approval, or to revoke or substantially modify an existing permit, could have a material adverse effect on our ability to continue operations at the affected facility. Any future expansion of our existing operations is also predicated upon securing the necessary environmental or other permits or approvals.

As of December 31, 2008, the area permitted for mining at our Hardee phosphate complex had approximately 50 million tons of recoverable phosphate rock reserves, which will meet our requirements, at current production rates, for approximately 14 years. We have secured the necessary permits to mine these reserves from the Florida Department of Environmental Protection and the U.S. Army Corps of Engineers. We have initiated the process of applying for authorization and permits to expand the geographical area in which we can mine at our Hardee property. The expanded geographical area has an estimated additional 33 million tons of recoverable phosphate reserves, which will allow us to conduct mining operations at our Hardee property for approximately nine additional years at current operating rates, assuming we secure the authorization and permits to mine in this area. The estimated recoverable phosphate reserves are reflective of the anticipated permittable mining areas based on recent similar permitting efforts. In Florida, local community participation has become an important factor in the authorization and permitting process for mining companies. A denial of the authorizations or permits to continue and/or expand our mining operations at our Hardee property would prevent us from mining all of our reserves and have a material adverse effect on our business, financial condition and results of operations.

Likewise, our phosphogypsum stack system at Plant City has sufficient capacity to meet our requirements through 2014 at current operating rates and subject to regular renewals of our operating permits. We have secured the local development authorization to increase the capacity of this stack system. Based on this authorization, estimated stack system capacity is expected to meet our requirements until 2040 at current operating rates and is subject to securing the corresponding operating permits. This time frame is approximately eight years beyond our current estimate of available phosphate rock reserves at our Hardee mine. A decision by the state or federal authorities to deny a renewal of our current permits or to deny operating permits for the expansion of our stack system could have a material adverse effect on our business, financial condition and results of operations.

In certain cases, as a condition to procuring such permits and approvals, we may be required to comply with financial assurance regulatory requirements. The purpose of these requirements is to assure the government that sufficient company funds will be available for the ultimate closure, post-closure care and/or reclamation at our facilities. In March 2006, we established an escrow account for the benefit of the Florida Department of Environmental Protection as a means of taking advantage of a safe harbor provision in a 2005 amendment to Florida's regulations pertaining to financial assurance requirements for the closure of phosphogypsum stacks. For additional information on the cash deposit arrangement, see Item 8. Financial Statements and Supplementary Data., Notes to the Consolidated Financial Statements, Note 11 Asset Retirement Obligations.

Several of our permits, including our mining permit at the Hardee phosphate complex, require us to reclaim any property disturbed by our operations. At our Hardee property, we currently mine approximately 300 to 400 acres of land each year, all of which must be reclaimed. The costs to reclaim this land vary based on the type of land involved and range from $3,200 to $17,200 an acre, with an

average of $7,300 an acre. For additional information on our Hardee asset retirement obligations, see Item 8. Financial Statements and Supplementary Data., Notes to the Consolidated Financial Statements, Note 11 Asset Retirement Obligations.

Our phosphate operations in Florida are subject to regulations governing the closure and long-term maintenance of our phosphogypsum stack systems. At our Bartow phosphate complex, we estimate that we will spend a total of approximately $10 million between 2009 and 2017 to complete closure of the cooling pond and channels. Water treating expenditures at Bartow are estimated to require about $14 million over the next 48 years. Post-closure long-term care expenditures at Bartow are estimated to total approximately $63 million for a 59 year period including 2009. To close the phosphogypsum stack currently in use at the Plant City phosphate complex, we estimate that we will spend approximately $68 million during the years 2033 through 2037, and another $47 million in 2087 to close the cooling pond. Water treating expenditures at Plant City are estimated to approximate $6 million in 2018, $63 million in 2033 through 2037, and $162 million thereafter through 2087. Post-closure long-term care expenditures at Plant City are estimated to total $111 million for a 50 year period commencing in 2038. These amounts are in nominal dollars using an assumed inflation rate of 3%. For additional information on our asset retirement obligations related to our phosphogypsum stack systems, see Item 8. Financial Statements and Supplementary Data., Notes to the Consolidated Financial Statements, Note 11 Asset Retirement Obligations.

Cost estimates for closure of our phosphogypsum stack systems are based on formal closure plans submitted to the State of Florida, which are subject to revision during negotiations over the next several years. Moreover, the time frame involved in the closure of our phosphogypsum stack systems extends as far as the year 2087. Accordingly, the actual amount to be spent also will depend upon factors such as the timing of activities, refinements in scope, technological developments, cost inflation and changes in applicable laws and regulations. These cost estimates may also increase if the Plant City phosphogypsum stack is expanded further. For additional information on our Plant City asset retirement obligations, see Item 8. Financial Statements and Supplementary Data., Notes to the Consolidated Financial Statements, Note 11 Asset Retirement Obligations.

Employees and Labor Relations

As of December 31, 2008, we had approximately 1,500 full-time and 100 part-time employees.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

ITEM 1A. RISK FACTORS.

Our business is subject to a number of risks. If any of the events contemplated by the following risks actually occur, then our business, financial condition or results of operations could be materially adversely affected. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations.

Our business is dependent on the price of natural gas in North America, which is both relatively expensive and highly volatile.

Natural gas is the principal raw material used to produce nitrogen fertilizers. We use natural gas both as a chemical feedstock and as a fuel to produce ammonia, urea and UAN. Because all of our nitrogen fertilizer manufacturing facilities are located in the United States and Canada, the price of natural gas in North America directly impacts a substantial portion of our operating expenses. Expenditures on natural gas comprised approximately 56% of the total cost of our nitrogen fertilizer sales in 2008 and a higher percentage of cash production costs (total production costs less depreciation and amortization).

The market price for natural gas in North America is significantly higher than the price of natural gas in certain other major fertilizer-producing regions. Many of our competitors benefit from access to lower-priced natural gas through manufacturing facilities or interests in manufacturing facilities located in these regions or other regions with abundant supplies of natural gas. Many of these facilities are export-oriented and their owners actively ship product to North America which is our primary market for nitrogen based fertilizers.

The price of natural gas in North America is also highly volatile. During 2008, the median daily price at Henry Hub ranged from a low of $5.375 per MMBtu on December 24, 2008 to a high of $13.32 per MMBtu on July 3, 2008. The volatility of the price of natural gas in North America compounds our disadvantage to some of our competitors. In addition to having access to lower-priced natural gas, these competitors may also benefit from fixed-price natural gas contracts, some of which may be linked directly to the market price of the nitrogen fertilizer being manufactured. Given the volatility of pricing and our dependence on North American natural gas, the price we pay for natural gas may be higher than certain other fertilizer-producing regions of the world which may make it more difficult for us to compete against these producers. We may not be able to pass along the resulting higher operating costs to our customers in the form of higher product prices. If market prices are below our cost of production due to the high cost of natural gas, we may shift our sourcing of nitrogen fertilizers from manufactured to purchased products. During late 2005 and early 2006, we curtailed production of fertilizers at our Donaldsonville complex for this reason.

Our business is cyclical, resulting in periods of industry oversupply during which our results of operations tend to be negatively impacted.

Historically, selling prices for our products have fluctuated in response to periodic changes in supply and demand conditions. Demand is affected by population growth, changes in dietary habits, non-food usage of crops, such as the production of ethanol and other biofuels, and planted acreage and application rates, among other things. Supply is affected by available capacity and operating rates, raw material costs, government policies and global trade.

Periods of high demand, high capacity utilization and increasing operating margins tend to result in new plant investment and increased production, causing supply to exceed demand and prices and capacity utilization to decline. In particular, new ammonia and urea capacity is expected to be added abroad in low-cost regions. Future growth in demand for fertilizer may not be sufficient to alleviate any existing or future conditions of excess industry capacity.

Table of Contents

During periods of industry oversupply, our results of operations tend to be affected negatively as the price at which we sell our products typically declines, resulting in possible reduced profit margins, write-downs in the value of our inventory, lower production of our products and/or possible plant closures.

Our products are global commodities, and we face intense global competition from other fertilizer producers.

We are subject to intense price competition from both domestic and foreign sources. Fertilizers are global commodities, with little or no product differentiation, and customers make their purchasing decisions principally on the basis of delivered price and to a lesser extent on customer service and product quality. We compete with a number of domestic and foreign producers, including state-owned and government-subsidized entities. Some of these competitors have greater total resources and are less dependent on earnings from fertilizer sales, which make them less vulnerable to industry downturns and better positioned to pursue new expansion and development opportunities.

Recent consolidation in the fertilizer industry has increased the resources of several of our competitors, and we expect consolidation among fertilizer producers to continue. In light of this industry consolidation, our competitive position could suffer to the extent we are not able to expand our own resources either through investments in new or existing operations or through acquisitions, joint ventures or partnerships. In the future, we may not be able to find suitable assets to purchase or joint venture or partnership opportunities to pursue. Even if we are able to locate desirable opportunities, we may not be able to acquire desired assets or enter into desired joint ventures or partnerships on economically acceptable terms. Our inability to compete successfully could result in the loss of customers, which could adversely affect our sales and profitability.

China is the world's largest producer and consumer of fertilizers and is expected to continue expanding its fertilizer production capability. This expected increase in capacity could adversely affect the balance between global supply and demand and may put downward pressure on global fertilizer prices, which could adversely affect our results of operations and financial condition.

We may face increased competition from Russian and Ukrainian urea, which is currently subject to antidumping duty orders that impose significant duties on urea imported into the United States from these two countries. The antidumping orders have been in place since 1987, and there has been almost no urea imported into the United States from Russia or Ukraine since that time. Russia and Ukraine currently have considerable capacity to produce urea and are the world's largest urea exporters. Producers in Russia, where the price for gas is well below its market value, benefit from natural gas prices that are government controlled encouraging inefficient urea production and exports. Following a "sunset" review by the U.S. Department of Commerce and the U.S. International Trade Commission (ITC), the antidumping orders were extended for an additional five-year period in November 2005. In June 2008, the ITC's determination was upheld by the U.S. Court of International Trade. This order is not scheduled to undergo the next "sunset" review until December 2010. In addition, one large Russian producer, the EuroChem Group ("EuroChem"), requested the Department of Commerce to review its sales and costs in order to establish a new antidumping duty rate specifically for them. In May 2008, the Department of Commerce issued a final decision in that review and found that EuroChem's reviewed Russian urea exports were priced fairly. As a result, unless a future review finds the EuroChem's unfair pricing has resumed, no antidumping duties will apply to its Russian urea exports to the United States. While all other Russian urea producers continue to be subject to antidumping duties, the elimination of antidumping duties on EuroChem's Russian urea may result in a significant increase in EuroChem's urea exports to the United States.

CF INDUSTRIES HOLDINGS, INC.

Any decline in U.S. agricultural production or limitations on the use of our products for agricultural purposes could materially adversely affect the market for our products.

Conditions in the U.S. agricultural industry can significantly impact our operating results. The U.S. agricultural industry can be affected by a number of factors, including weather patterns and field conditions, current and projected grain inventories and prices, the domestic and international demand for U.S. agricultural products and U.S. and foreign policies regarding trade in agricultural products.

State and federal governmental policies, including farm and biofuel subsidies and commodity support programs, as well as the prices of fertilizer products, may also directly or indirectly influence the number of acres planted, the mix of crops planted and the use of fertilizers for particular agricultural applications. For example, in recent years, ethanol production in the U.S. has increased significantly due, in part, to federal legislation mandating greater use of renewable fuels. This increase in ethanol production has led to an increase in the amount of corn grown in the U.S. and to increased fertilizer usage on both corn and other crops that have also benefited from improved farm economics. While the current Renewable Fuels Standard (RFS) encourages continued high levels of corn-based ethanol production, a growing "food versus fuel" debate and other factors have resulted in calls to reduce subsidies for ethanol, allow increased ethanol imports and adopt temporary waivers to the current RFS levels, any of which could have an adverse effect on corn-based ethanol production, planted corn acreage and fertilizer demand. Developments in crop technology, such as nitrogen fixation, the conversion of atmospheric nitrogen into compounds that plants can assimilate, could also reduce the use of chemical fertilizers and adversely affect the demand for our products. In addition, several states are currently considering limitations on the use and application of chemical fertilizers due to concerns about the impact of these products on the environment.

Adverse weather conditions may decrease demand for our fertilizer products.

Weather conditions that delay or intermittently disrupt field work during the planting and growing seasons may cause agricultural customers to use different forms of nitrogen fertilizer, which may adversely affect demand for the forms that we sell or may impede farmers from applying our fertilizers until the following growing season, resulting in lower demand for our products.

Adverse weather conditions following harvest may delay or eliminate opportunities to apply fertilizer in the fall. Weather can also have an adverse effect on crop yields, which lowers the income of growers and could impair their ability to purchase fertilizer from our customers.

Our inability to predict future seasonal fertilizer demand accurately could result in excess inventory, potentially at costs in excess of market value, or product shortages.

The fertilizer business is seasonal. The strongest demand for our products occurs during the spring planting season, with a second period of strong demand following the fall harvest. We and/or our customers generally build inventories during the low demand periods of the year in order to ensure timely product availability during the peak sales seasons. Seasonality is greatest for ammonia due to the short application season and the limited ability of our customers and their customers to store significant quantities of this product. The seasonality of fertilizer demand results in our sales volumes and net sales being the highest during the spring and our working capital requirements being the highest just prior to the start of the spring season. Our quarterly financial results can vary significantly from one year to the next due to weather-related shifts in planting schedules and purchasing patterns.

If seasonal demand exceeds our projections, our customers may acquire products from our competitors, and our profitability will be negatively impacted. If seasonal demand is less than we expect, we will be left with excess inventory that will have to be stored (in which case our results of operations will be negatively impacted by any related storage costs) and/or liquidated (in which case the selling price may be below our production, procurement and storage costs). The risks associated with

excess inventory and product shortages are particularly acute with respect to our nitrogen fertilizer business because of the highly volatile cost of natural gas and nitrogen fertilizer prices and the relatively brief periods during which farmers can apply nitrogen fertilizers.

Our customer base is concentrated, with certain large customers accounting for a substantial portion of our sales.

During 2008, three customers, CHS Inc., GROWMARK, Inc., and Gavilon Fertilizer LLC (previously ConAgra International Fertilizer Company) made combined fertilizer purchases of approximately $1,526.7 million from us, representing approximately 39% of our total net sales. Because we depend on these customers for a significant portion of our sales, we may have less flexibility than some of our competitors to diversify our customer base and seek more profitable direct sales to customers of our significant customers. Any substantial change in purchasing decisions by any or all of these customers, whether due to actions by our competitors, our actions in expanding the direct sale of fertilizers to the customers of our significant customers or otherwise, could have a material adverse effect on our business.

A change in the use of the forward pricing program by our customers could increase our exposure to fluctuations in our profit margins and materially adversely affect our operating results, liquidity and financial condition.

In mid-2003, we implemented a forward pricing program (FPP). Through our FPP, we offer our customers the opportunity to purchase product on a forward basis at prices and delivery dates we propose. This improves our liquidity due to the cash payments received from customers in advance of shipment of the product, allows us to improve our production scheduling, and planning, and the utilization of our manufacturing assets.

As our customers enter into forward nitrogen fertilizer purchase contracts with us, we generally use natural gas derivatives or fixed price fertilizer purchase contracts to hedge against changes in the price of natural gas, the largest and most volatile component of our supply cost. Fixing the selling prices of our products under our FPP, often months in advance of their ultimate delivery to customers, typically causes our reported selling prices and margins to differ from spot market prices and margins available at the time of shipment. Additionally, the use of derivatives to lock in the majority of our margins on FPP sales of nitrogen products can result in volatility in reported earnings due to the unrealized mark-to-market adjustments that occur from changes in the value of the derivatives prior to the purchase of the natural gas.

We are also exposed to losses in the event of default by derivative counterparties or to changes in our working capital and liquidity in the event of significant margin calls or losses on the derivative portfolio.

Under our FPP, customers generally make an initial cash down payment at the time of order and pay the remaining portion of the contract sales value in advance of the shipment date, thereby significantly increasing our liquidity. Any cash payments received in advance from customers in connection with the FPP are reflected on our balance sheet as a current liability until the related orders are shipped, which can take up to several months, or more. As of December 31, 2008, our current liability for customer advances related to unshipped orders under the FPP equaled approximately 56% of our cash and cash equivalents.

We believe the FPP is most appealing to our customers during periods of generally increasing prices for nitrogen fertilizers. Our customers may be less willing or even unwilling to purchase products on a forward basis during periods of generally decreasing or stable prices or during periods of relatively high fertilizer prices. For example, in late 2005, a period during which prices for nitrogen fertilizer products reached then record high levels, our orders under the FPP declined significantly as our

customers and their customers preferred to defer purchases of fertilizer products rather than commit to purchasing products at such high prices. Sales under the FPP were lower during 2006, a period of relatively high fertilizer prices, compared to 2005, with forward sales of nitrogen fertilizer products declining from approximately 70% of our nitrogen fertilizer volume during 2005 to approximately 44% in 2006. Conversely, our customers may also be more willing to increase their use of FPP during periods of rapidly rising fertilizer prices as was the case in late 2007 and much of 2008. During this period of rapidly increasing nitrogen fertilizer prices, forward sales of nitrogen fertilizer products increased under the program to approximately 66% of our nitrogen fertilizer volume in 2007 and 74% in 2008. In environments such as this, our profit margins may be lower than if we had not sold our nitrogen fertilizers under the FPP.

The FPP is also less effective at reducing our exposure to fluctuations in our profit margins in circumstances where we purchase the fertilizer product from third parties for resale, rather than manufacture the product at one of our facilities. For example, due to the high cost of natural gas in North America in late 2005, we decided to curtail production at our facilities and increase our purchases of fertilizer products originating from off-shore, lower cost producers for resale to our customers. Because it is generally not feasible to purchase fertilizer products from these third parties on a forward basis or match purchased quantities with specific order quantities, we may not be able to fix our profit margins effectively on fertilizer products that we buy for resale under our FPP. One method we use to reduce our margin exposure on sales of purchased products under the program is to purchase the required fertilizer products in advance of the specified delivery date. However, in such circumstances we may be required to buy and store the product sooner and in greater quantities than if produced, thereby reducing the liquidity benefits otherwise associated with the FPP. It also may not be feasible to purchase sufficient quantities of fertilizer in advance of the specified delivery dates at known, acceptable prices, thereby reducing or eliminating the expected margins associated with the forward sales. An increase in our purchases of fertilizer products for resale to our customers may increase our exposure to fluctuating profit margins on the purchased products and could have a material adverse affect on our operating results, liquidity and financial condition.

We also sell phosphate products through our FPP. In 2008, forward sales of phosphate fertilizer products represented approximately 61% of our phosphate fertilizer volume compared with 42% of our phosphate fertilizer volume in 2007 and 14% in 2006. Similar to nitrogen sales, phosphate sales under the FPP increased significantly in both 2007 and the first half of 2008 during a period of rapidly rising fertilizer prices. Unlike our nitrogen fertilizer products where we effectively fix the cost of natural gas, we typically are unable to fix the cost of phosphate raw materials, such as sulfur and ammonia, which are among the largest components of our phosphate fertilizer costs. As a result, we are typically exposed to margin risk on phosphate products sold on a forward basis.

Our operations are reliant on a limited number of key facilities that involve significant risks and hazards against which we may not be fully insured.

Our operations are subject to hazards inherent in the manufacturing, transportation, storage and distribution of chemical fertilizers, including ammonia, which is highly toxic and corrosive. These hazards include: explosions; fires; severe weather and natural disasters; train derailments, collisions, vessel groundings and other transportation and maritime incidents; leaks and ruptures involving storage tanks, pipelines and rail cars; spills, discharges and releases of toxic or hazardous substances or gases; deliberate sabotage and terrorist incidents; mechanical failures; unscheduled downtime; labor difficulties and other risks. Some of these hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and they may result in suspension of operations and the imposition of civil or criminal penalties and liabilities. For example, over the course of the past few years, we have been involved in numerous property damage and personal injury lawsuits arising out of a hydrogen explosion at our Donaldsonville nitrogen fertilizer

complex in 2000, in which three people died and several others were injured. We were also involved in personal injury lawsuits arising out of a train derailment near Minot, North Dakota in 2002 that ruptured five tank cars, causing the formation of an ammonia cloud over the area, in which one person died and numerous others were injured.

Our exposure to these types of risks is increased because of our reliance on a limited number of key facilities. Our nitrogen fertilizer operations are dependent on our nitrogen fertilizer complex in Donaldsonville, Louisiana and our joint venture's nitrogen fertilizer complex in Medicine Hat, Alberta. Our phosphate fertilizer operations are dependent on our phosphate mine and associated beneficiation plant in Hardee County, Florida; our phosphate fertilizer complex in Plant City, Florida; and our ammonia terminal in Tampa, Florida. Any suspension of operations at any of these key facilities could adversely affect our ability to produce our products, fulfill our commitments under our forward pricing program, and could have a material adverse effect on our business. In addition, all of these facilities, other than the complex in Medicine Hat, are located in regions of the United States that experience a relatively high level of hurricane activity. Such storms, depending on their severity and location, have the potential not only to damage our facilities and disrupt our operations but also to adversely affect the shipping and distribution of our products and the supply and price of natural gas and sulfur in the Gulf region.

We maintain property, business interruption and casualty insurance policies, but we are not fully insured against all potential hazards and risks incident to our business. If we were to incur significant liability for which we were not fully insured, it could have a material adverse effect on our business, results of operations and financial condition. We are subject to various self-retentions and deductibles under these insurance policies. As a result of market conditions, our premiums, self-retentions and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage.

We rely on third party providers of transportation services and equipment, which subjects us to risks and uncertainties beyond our control that may adversely affect our operations.

We rely on railroad, trucking, pipeline, river barge and ocean vessel companies to transport raw materials to our manufacturing facilities, to deliver finished products to our distribution system and to ship finished products to our customers. We also lease rail cars from rail car owners in order to ship raw materials and finished products. These transportation operations, equipment, and services are subject to various hazards, including extreme weather conditions, work stoppages, delays, accidents such as spills and derailments and other accidents and other operating hazards.

These transportation operations, equipment and services are also subject to environmental, safety, and regulatory oversight. Due to concerns related to accidents, terrorism, or the potential use of fertilizers as explosives, local, state and federal governments could implement new regulations affecting the transportation of our raw materials or finished products.

The U.S. railroad industry is requesting regulations to shift certain liabilities to shippers for the movement of certain hazardous materials. This request applies to a number of materials including anhydrous ammonia which we ship to and from our manufacturing and distribution facilities. These proposed regulations would require us to indemnify or provide supplemental insurance to the railroads for damages above a stated threshold stemming from any release of the toxic materials, regardless of fault. Any transfer of the railroad's liability to us or requirement to provide supplemental insurance could be a significant potential liability for us or could impact our ability to transport this product.

If we are delayed or unable to ship our finished products or obtain raw materials as a result of these transportation companies' failure to operate properly, or if new and more stringent regulatory requirements are implemented affecting transportation operations or equipment, or if there are

significant increases in the cost of these services or equipment, our sales revenues and/or cost of operations could be adversely affected.

New regulations could also be implemented affecting the equipment used to ship our raw materials or finished products. The U.S. railroad industry is proposing higher ammonia tank car performance standards which could require the modification or replacement of our leased tank car fleet. These higher standards could impact our ability to obtain an adequate supply of rail cars to support our operations.

Expansion of our business may result in unanticipated adverse consequences.

We routinely consider possible expansions of our business, both domestically and in certain foreign locations. Acquisitions, partnerships, joint ventures and other major investments require significant managerial resources, which may be diverted from our other activities and may impair the operation of our businesses.

International acquisitions, partnerships, or joint ventures or the international expansion of our business involve additional risks and uncertainties, including:

- difficulties and costs of complying with a wide variety of complex laws, treaties and regulations;
- unexpected changes in regulatory environments;
- political and economic instability, including the possibility for civil unrest;
- nationalization of properties by foreign governments;
- tax rates that may exceed those in the United States, and earnings that may be subject to withholding requirements;
- the imposition of tariffs, exchange controls or other restrictions; and
- the impact of exchange rate fluctuations between the United States dollar and foreign currencies in the countries where we operate.

Furthermore, acquisitions of businesses or facilities entail a number of additional risks, including:

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- loss of key personnel of businesses we acquire or invest in;

- exposure to unanticipated liabilities; and

- difficulties in realizing efficiencies, synergies and cost savings.

These risks of unanticipated adverse consequences from any expansion of our business through investments, acquisitions, partnerships or joint ventures are increased due to the significant capital and other resources that we may have to commit to any such expansion, which may not be recoverable if the expansion initiative to which they were devoted is ultimately not implemented. We also face increased exposure to risks related to acquisitions and international operations because our experience with acquisitions and international operations is limited. As a result of these and other factors, including general economic risk, we may not be able to realize our projected returns from any future acquisitions, partnerships, joint ventures or other investments.

We are subject to numerous environmental and health and safety laws and regulations, as well as potential environmental liabilities, which may require us to make substantial expenditures.

We are subject to numerous environmental and health and safety laws and regulations in the United States and Canada, including laws and regulations relating to land reclamation; the generation, treatment, storage, disposal and handling of hazardous substances and wastes; and the cleanup of

Table of Contents

hazardous substance releases. These laws include the Clean Air Act, the Clean Water Act, RCRA, CERCLA, the Toxic Substances Control Act and various other federal, state, provincial, local and international statutes.

As a fertilizer company working with chemicals and other hazardous substances, our business is inherently subject to spills, discharges or other releases of hazardous substances into the environment. Certain environmental laws, including CERCLA, impose joint and several liability, without regard to fault, for cleanup costs on persons who have disposed of or released hazardous substances into the environment. Given the nature of our business, we have incurred, are incurring currently, and are likely to incur periodically in the future, liabilities under CERCLA and other environmental cleanup laws at our current or former facilities, adjacent or nearby third-party facilities or offsite disposal locations. The costs associated with future cleanup activities that we may be required to conduct or finance may be material. Additionally, we may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

Violations of environmental and health and safety laws can result in substantial penalties, court orders to install pollution-control equipment, civil and criminal sanctions, permit revocations and facility shutdowns. Environmental and health and safety laws change rapidly and have tended to become more stringent over time. As a result, we have not always been and may not always be in compliance with all environmental and health and safety laws and regulations. Additionally, future environmental and health and safety laws and regulations or more vigorous enforcement of current laws and regulations, whether caused by violations of environmental and health and safety laws by us or other chemical fertilizer companies or otherwise, may require us to make substantial expenditures. Additionally, our costs to comply with, or any liabilities under, these laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

See Item 1. Business. Environmental Health and Safety and Item 3. Legal Proceedings for additional information on our environmental and legal matters.

Our operations are dependent on numerous required permits, approvals and financial assurance requirements from governmental authorities.

We hold numerous environmental, mining and other governmental permits and approvals authorizing operations at each of our facilities. Expansion of our operations is also predicated upon securing the necessary environmental or other permits or approvals. A decision by a government agency to deny or delay issuing a new or renewed material permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations at the affected facility and on our business, financial condition and results of operations.

In certain cases, as a condition to procure such permits and approvals or as a condition to maintain existing approvals, we may be required to comply with financial assurance regulatory requirements. The purpose of these requirements is to assure local, state or federal government agencies that we will have sufficient funds available for the ultimate closure, post-closure care and/or reclamation at our facilities. In March 2006, we established an escrow account for the benefit of the Florida Department of Environmental Protection as a means of taking advantage of a safe harbor provision in a 2005 amendment to Florida's regulations pertaining to financial assurance requirements for the closure of phosphogypsum stacks. Florida regulations also mandate payment of certain mining taxes based on the quantity of ore mined and are subject to change based on local regulatory approvals. Additional financial assurance requirements or other increases in local mining regulations and taxes could have a material adverse effect on our business, financial condition and results of operations.

Florida regulations require mining companies to demonstrate financial responsibility for wetland and other surface water mitigation measures in advance of any mining activities. If and when we are able to expand our Hardee mining activities to areas not currently permitted, we will be required to

Table of Contents

demonstrate financial responsibility for wetland and other surface water mitigation measures in advance of any mining activities. The demonstration of financial responsibility may be provided by passage of financial tests. In the event that we are unable to satisfy these financial tests, alternative methods of complying with the financial assurance requirements would require us to expend funds for the purchase of bonds, letters of credit, insurance policies or similar instruments. It is possible that we will not be able to comply with either current or new financial assurance regulations in the future, which could have a material adverse effect on our business, financial condition and results of operations.

As of December 31, 2008, the area permitted by local, state and federal authorities for mining at our Hardee phosphate complex had approximately 50 million tons of recoverable phosphate rock reserves, which will meet our requirements, at current operating rates, for approximately 14 years. We have initiated the process of applying for authorization and permits to expand the geographical area in which we can mine at our Hardee property. The expanded geographical area has an estimated 33 million tons of recoverable phosphate reserves, which will allow us to conduct mining operations at our Hardee property for approximately nine additional years at current operating rates, assuming we secure the authorization and permits to mine in this area. In Florida, local community participation has become an important factor in the authorization and permitting process for mining companies. A denial of the authorizations or permits to continue and/or expand our mining operations at our Hardee property would prevent us from mining all of our reserves and have a material adverse effect on our business, financial condition and results of operations.

Likewise, our phosphogypsum stack system at Plant City has sufficient capacity to meet our requirements through 2014 at current operating rates and is subject to regular renewals of our operating permits. We have secured the local development authorization to increase the capacity of this stack system. Based on this authorization, estimated stack system capacity is expected to meet our requirements until 2040 at current operating rates and is subject to securing the corresponding operating permits. This time frame is approximately eight years beyond our current estimate of available phosphate rock reserves at our Hardee mine. A decision by the state or federal authorities to deny a renewal of our current permits or to deny operating permits for the expansion of our stack system could have a material adverse effect on our business, financial condition and results of operations.

Acts of terrorism could negatively affect our business.

Like other companies with major industrial facilities, our plants and ancillary facilities may be targets of terrorist activities. Many of these plants and facilities store significant quantities of ammonia and other items that can be dangerous if mishandled. Any damage to infrastructure facilities, such as electric generation, transmission and distribution facilities, or injury to employees, who could be direct targets or indirect casualties of an act of terrorism, may affect our operations. Any disruption of our ability to produce or distribute our products could result in a significant decrease in revenues and significant additional costs to replace, repair or insure our assets, which could have a material adverse impact on our financial condition and results of operations. In addition, due to concerns related to terrorism or the potential use of certain fertilizers as explosives, local, state and federal governments could implement new regulations impacting the security of our plants, terminals and warehouses or the transportation and use of fertilizers. These regulations could result in higher operating costs or limitations on the sale of our products and could result in significant unanticipated costs, lower revenues and/or reduced profit margins.

Our operations are dependent upon raw materials provided by third parties and an increase in the price or any delay or interruption in the delivery of these raw materials may adversely affect our business.

We use natural gas, ammonia and sulfur as raw materials in the manufacture of fertilizers. We purchase these raw materials from third-party suppliers. Prices for these raw materials can fluctuate

significantly due to changes in supply and demand. We may not be able to pass along to our customers increases in the costs of raw materials, which could have a material adverse effect on our business. These products are transported by barge, truck, rail or pipeline to our facilities by third-party transportation providers or through the use of facilities owned by third parties. Any delays or interruptions in the delivery of these key raw materials, including those caused by capacity constraints; explosions; fires; severe weather and natural disasters; train derailments, collisions, vessel groundings and other transportation and maritime incidents; leaks and ruptures involving pipelines; deliberate sabotage and terrorist incidents; mechanical failures; unscheduled downtime; or labor difficulties, could have a material adverse effect on our business.

Our investments in securities are subject to risks that may result in losses.

We invest our excess cash balances in several types of securities, including notes and bonds issued by governmental entities or corporations, and money market funds. Securities issued by governmental agencies include those issued directly by the U.S. government, those issued by state, local or other governmental entities, and those guaranteed by entities affiliated with governmental entities. Our investments are subject to fluctuations in both market value and yield based upon changes in market conditions, including interest rates, liquidity, general economic and credit market conditions and conditions specific to the issuers.

At December 31, 2008, we held investments of $177.8 million in tax-exempt auction rate securities. These securities were issued by various state and local government entities and are all supported by student loans that were primarily issued under the Federal Family Loan Program. The underlying securities have stated maturities that range up to 39 years and are guaranteed by entities affiliated with governmental entities. In February 2008, the market for these securities began to show signs of illiquidity and auctions for several securities failed on their scheduled auction dates. As a result, we continue to hold investments in certain of these securities. These investments, for which auctions have failed, are no longer liquid, and we will not be able to access these funds until such time as an auction of these investments is successful or a buyer is found outside of the auction process.

Due to the risks of investments, we may not achieve expected returns or may realize losses on our investments which could have a material adverse effect on our business, results of operations, liquidity, or financial condition.

The loss of key members of our management and professional staff may adversely affect our business.

We believe our continued success depends on the collective abilities and efforts of our senior management and professional staff. The loss of one or more key personnel could have a material adverse effect on our results of operations. Additionally, if we are unable to find, hire and retain needed key personnel in the future, our results of operations could be materially and adversely affected.

Global market and economic conditions, including those related to the credit markets, could have a material adverse effect on our business, financial condition and results of operations.

A general slowdown in economic activity caused by the current recession could adversely affect our business in the following ways: a worsening of the current credit markets could impact the ability of our customers and their customers to obtain sufficient credit to support their operations; the failure of our customers to fulfill their purchase obligations could result in increases in bad debts and impact our working capital; the failure of certain key suppliers or derivative counterparties could increase our exposure to disruptions in supply or to financial losses; and, the continuation of both the volatility of interest rates and negative market returns could result in increased expense and greater contributions to our defined benefit plans.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

FORWARD LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are not statements of historical fact and may involve a number of risks and uncertainties. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. We have used the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," and similar terms and phrases, including references to assumptions, to identify forward-looking statements in this Form 10-K. These forward-looking statements are made based on our expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements. We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this report. Additionally, we do not undertake any responsibility to provide updates regarding the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this report.

Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" and elsewhere in this Form 10-K. As stated elsewhere in this filing, such factors include, among others:

- the relatively expensive and volatile cost of North American natural gas;
- the cyclical nature of our business and the agricultural sector;
- changes in global fertilizer supply and demand and its impact on the selling price of our products;
- the nature of our products as global commodities;
- intense global competition in the consolidating markets in which we operate;
- conditions in the U.S. agricultural industry;
- weather conditions;
- our inability to accurately predict seasonal demand for our products;
- the concentration of our sales with certain large customers;
- the impact of changing market conditions on our forward pricing program;
- the reliance of our operations on a limited number of key facilities;
- the significant risks and hazards against which we may not be fully insured;

reliance on third party transportation providers;

unanticipated adverse consequences related to the expansion of our business;

our inability to expand our business, including the significant resources that could be required;

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

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

acts of terrorism;

difficulties in securing the supply and delivery of raw materials we use and increases in their costs;

losses on our investments in securities;

loss of key members of management and professional staff, and

recent deterioration of global market and economic conditions.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Information regarding our facilities and properties is included in Part I, Item 1. Business Operating Segments and Part I, Item 1. Business Storage Facilities and Other Properties.

Our senior secured revolving credit facility is secured by, among other things, a security interest in our Donaldsonville, Louisiana, nitrogen complex.

ITEM 3. LEGAL PROCEEDINGS.

Litigation

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

Environmental

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

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

Several of our competitors have received NOVs making this same allegation. This particular recycling of process water is common in the industry and, the Company believes, was authorized by the EPA in 1990. The Company also believes that this allegation is inconsistent with recent case law governing the scope of the EPA's regulatory authority under RCRA. Nonetheless, the Company has conducted a successful pilot test to replace process water as a scrubbing medium at the ammonium phosphate fertilizer plants and maintain compliance with Plant City's air permit. The Company has

received a permit from the Florida Department of Environmental Protection that authorizes the Company to make this change for the three ammonium phosphate plants that utilize process water. Although this does not fully resolve the NOV or address all of the issues identified by the EPA and Department of Justice, this does address a significant issue identified in the NOV.

The NOV indicated that the Company is liable for penalties up to the statutory maximum (for example, the statutory maximum per day of noncompliance for each violation that occurred after March 15, 2004 is $32,500 per day). Although penalties of this magnitude are rarely, if ever, imposed, the Company is at risk of incurring substantial civil penalties with respect to these allegations. The EPA has referred this matter to the United States Department of Justice (DOJ) for enforcement. The Company has entered into discussions with the DOJ that have included not only the issues identified in the NOV but other operational practices of the Company and its competitors. The Company does not know if this matter will be resolved prior to the commencement of litigation by the United States.

In connection with the RCRA enforcement initiative, the EPA collected samples of soil, groundwater and various waste streams at the Plant City facility. The analysis of the split samples collected by the Company during the EPA's inspection did not identify hazardous waste disposal issues impacting the site. The EPA's sampling results appear to be consistent with the Company's own sampling results. Pursuant to a 1992 consent order with the State of Florida, the Company captures and reuses groundwater that has been impacted as a result of the former operation of an unlined gypsum stack at the site. The Company has recently conducted an additional limited amount of sampling at the Plant City facility, pursuant to a work plan agreed to with the EPA, and is planning to submit a report to the EPA documenting the results of this sampling by March 2009. Subject to the EPA's review of these results, the Company does not believe that further investigation will be required.

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 responded to this letter with the information requested, completing the document production process 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. In some cases, the EPA filed enforcement proceedings asserting that the facilities had not complied with the Clean Air Act. To date, these enforcement proceedings have been resolved through settlements. It is not known at this time whether the EPA will initiate enforcement with respect to the Plant City facility.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange, Inc. (NYSE) under the symbol "CF". Quarterly high and low sales prices, as reported by the NYSE, are provided below:

	Sales Prices		Dividends
2008	**High**	**Low**	**per Share**
First Quarter	$ 131.71	$ 78.73	$ 0.10
Second Quarter	172.99	97.35	0.10
Third Quarter	168.14	81.13	0.10
Fourth Quarter	93.63	37.71	0.10

	Sales Prices		Dividends
2007	**High**	**Low**	**per Share**
First Quarter	$ 43.72	$ 25.70	$ 0.02
Second Quarter	61.99	37.96	0.02
Third Quarter	77.09	44.16	0.02
Fourth Quarter	118.88	68.30	0.02

As of February 6, 2009, there were 21 stockholders of record, representing approximately 16,000 beneficial owners of our common stock.

In February of 2008, our Board of Directors approved an increase in the quarterly dividend from $0.02 to $0.10 per common share. Accordingly, we expect to pay quarterly cash dividends on our common stock at an annual rate of $0.40 per share for the foreseeable future. The declaration and payment of dividends to holders of our common stock is at the discretion of our Board of Directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements and other factors as our Board of Directors deems relevant. Our ability to pay dividends on our common stock is limited under the terms of our senior secured revolving credit facility. Pursuant to the terms of this agreement, dividends are a type of restricted payment that may be limited based on certain levels of cash availability as defined in the agreement. For additional information about our senior secured credit facility, see Item 8. Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements, Note 23 Credit Agreement and Notes Payable.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The following table sets forth stock repurchases for each of the three months of the quarter ended December 31, 2008:

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares (or Units) Purchased[1]	Average Price Paid per Share (or Unit)[2]	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in thousands)[1]
10/1/08 - 10/31/08	1,508,000	$ 60.62	1,508,000	$ 408,582
11/1/08 - 11/30/08	6,971,377	58.61	6,971,377	
12/1/08 - 12/31/08				
Total	8,479,377	58.96	8,479,377	

(1) On October 22, 2008, our Board of Directors authorized the Company to repurchase up to $500 million of its common stock through October 22, 2011, subject to market conditions (the "2008 Stock Repurchase Program"), as discussed in Note 27 Stockholders' Equity in the Notes to Consolidated Financial Statements.

(2) Average price paid per share of common stock repurchased under the 2008 Stock Repurchase Program is the execution price, excluding commissions paid to brokers.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected historical financial data as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements and related notes included elsewhere in this Form 10-K. The following selected historical financial data as of December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004 have been derived from our consolidated financial statements, which are not included in this Form 10-K.

The selected historical financial data should be read in conjunction with the information contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data.

	Year ended December 31,				
	2008	2007	2006	2005	2004
	(in millions, except per share amounts)				
Statement of Operations Data:					
Net sales	$3,921.1	$2,756.7	$2,032.9	$1,967.9	$1,680.7
Cost of sales	2,698.4	2,086.7	1,885.7	1,758.7	1,464.6
Gross margin	1,222.7	670.0	147.2	209.2	216.1
Selling, general and administrative	68.0	65.2	54.5	57.0	41.8
Other operating net	4.5	3.2	21.4	14.1	25.1
Operating earnings (loss)	1,150.2	601.6	71.3	138.1	149.2
Interest expense (income) net	(24.5)	(22.7)	(9.6)	(0.6)	16.8
Loss on extinguishment of debt				28.3	
Minority interest	116.9	54.6	28.8	17.8	23.1
Impairment of investments in unconsolidated affiliates[1]					1.1
Other non-operating net	(0.7)	(1.6)	(0.9)	0.1	(0.8)
Earnings (loss) before income taxes, equity in earnings of unconsolidated affiliates and cumulative effect of a change in accounting principle	1,058.5	571.3	53.0	92.5	109.0
Income tax provision[2]	378.1	199.5	19.7	128.7	41.4
Equity in earnings of unconsolidated affiliates net of taxes	4.2	0.9			0.1
Cumulative effect of a change in accounting principle net of taxes[3]				(2.8)	
Net earnings (loss)	$ 684.6	$ 372.7	$ 33.3	$ (39.0)	$ 67.7
Cash dividends declared per common share	$ 0.40	$ 0.08	$ 0.08	$ 0.02	

	August 17, 2005 through December 31, 2005 (in millions, except per share amounts)
Post Initial Public Offering (IPO) Information	
Net Loss and Loss Per Share:	

Loss before cumulative effect of a change in accounting principle	$	(109.5)
Cumulative effect of a change in accounting principle net of taxes		(2.8)
Post-IPO net loss	$	(112.3)
Basic and diluted weighted average common shares outstanding		55.0
Basic and diluted net loss per share:		
Loss before cumulative effect of a change in accounting principle	$	(1.99)
Cumulative effect of a change in accounting principle net of taxes		(0.05)
Post-IPO net loss	$	(2.04)

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

	Year ended December 31,				
				Pro forma[4]	
	Actual 2008	Actual 2007	Actual 2006	2005	2004
	(in millions, except per share amounts)				
Share and per share data:					
Basic weighted average common shares outstanding	55.3	55.5	55.0	55.0	55.0
Basic net earnings (loss) per share:					
Earnings (loss) before cumulative effect of a change in accounting principle	$ 12.39	$ 6.71	$ 0.60	$ (0.66)	$ 1.23
Cumulative effect of a change in accounting principle net of taxes				(0.05)	
Net earnings (loss)	$ 12.39	$ 6.71	$ 0.60	$ (0.71)	$ 1.23
Diluted weighted average common shares outstanding	56.4	56.7	55.1	55.0	55.0
Diluted net earnings (loss) per share:					
Earnings (loss) before cumulative effect of a change in accounting principle	$ 12.15	$ 6.57	$ 0.60	$ (0.66)	$ 1.23
Cumulative effect of a change in accounting principle net of taxes				(0.05)	
Net earnings (loss)	$ 12.15	$ 6.57	$ 0.60	$ (0.71)	$ 1.23

	Year ended December 31,				
	2008	2007	2006	2005	2004
	(in millions)				
Other Financial Data:					
Depreciation, depletion and amortization	$ 100.8	$ 84.5	$ 94.6	$ 97.5	$ 108.6
Capital expenditures	141.8	105.1	59.6	72.2	34.2

	December 31,				
	2008	2007	2006	2005	2004
	(in millions)				
Balance Sheet Data:					
Cash and cash equivalents	$ 625.0	$ 366.5	$ 25.4	$ 37.4	$ 50.0
Short-term investments[5]		494.5	300.2	179.3	369.3
Total assets	2,387.6	2,012.5	1,290.4	1,228.1	1,556.7
Customer advances	347.8	305.8	102.7	131.6	211.5
Total debt	4.1	4.9	4.2	4.2	258.8
Stockholders' equity	1,338.1	1,187.0	767.0	755.9	787.3

(1)

In 2004, we recorded an impairment of investments in and advances to unconsolidated affiliates for the write-off of the carrying value of our investment in Big Bend Transfer Co., L.L.C.

CF INDUSTRIES HOLDINGS, INC.

(2) In 2005, the income tax provision includes a non-cash charge of $99.9 million to establish a valuation allowance against net operating loss carryforwards generated when we operated as a cooperative.

(3) The cumulative effect of a change in accounting principle in 2005 represents the adoption of FASB Interpretation (FIN) No. 47 *Accounting for Conditional Asset Retirement Obligations*.

(4) Represents the pro forma basic and diluted net earnings (loss) per share calculations as if the weighted-average number of shares issued in the initial public offering were outstanding as of the beginning of the earliest period presented.

(5) In 2007, short-term investments consisted primarily of available-for-sale auction rate securities. In 2008, these investments became illiquid as traditional market trading mechanisms for auction rate securities ceased and auctions for these securities failed. As a result, at December 31, 2008, our remaining $177.8 million of investments in auction rate securities are classified as a noncurrent asset on our consolidated balance sheet, as we will not be able to access these funds until traditional market trading mechanisms resume, a buyer is found outside the auction process and/or the securities are redeemed by the issuer.

CF INDUSTRIES HOLDINGS, INC.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis in conjunction with the consolidated financial statements and related notes included in Item 8, Financial Statements and Supplementary Data. All references to "CF Holdings," "we," "us" and "our" refer to CF Industries Holdings, Inc. and its subsidiaries, including CF Industries, Inc. except where the context makes clear that the reference is only to CF Holdings itself and not its subsidiaries. All references to "our pre-IPO owners" refer to the eight stockholders of CF Industries, Inc. prior to the completion of our initial public offering and reorganization transaction on August 16, 2005. The following is an outline of the discussion and analysis included herein:

- *Overview of CF Industries Holdings, Inc.*
  - *Our Company*
  - *Financial Executive Summary*
  - *Company History*
- *Key Industry Factors*
- *Factors Affecting Our Results*
- *Results of Consolidated Operations*
- *Operating Results by Business Segment*
- *Liquidity and Capital Resources*
- *Off-Balance Sheet Arrangements*
- *Critical Accounting Policies and Estimates*
- *Recent Accounting Pronouncements*
- *Forward Pricing Program (FPP)*
- *Discussion of Seasonality Impacts on Operations*

Overview of CF Industries Holdings, Inc.

Our Company

We are one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in North America. Our operations are organized into two business segments: the nitrogen segment and the phosphate segment. Our principal products in the nitrogen segment are ammonia, urea and urea ammonium nitrate solution, or UAN. Our principal products in the phosphate segment are diammonium phosphate, or DAP, monoammonium phosphate, or MAP and granular muriate of potash, or potash. For the twelve months ended June 30, 2007, the most recent period for which such information is available, we supplied approximately 22% of the nitrogen and approximately 14% of the phosphate used in agricultural fertilizer applications in the United States, according to the Association of American Plant Food Control Officials. Our core market and distribution facilities are concentrated in the Midwestern U.S. grain-producing states. Our principal customers are cooperatives and independent fertilizer distributors.

Our principal assets include:

the largest nitrogen fertilizer complex in North America (Donaldsonville, Louisiana);

a 66% economic interest in the largest nitrogen fertilizer complex in Canada (which we operate in Medicine Hat, Alberta, through Canadian Fertilizers Limited, or CFL, a consolidated variable interest entity);

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

CF INDUSTRIES HOLDINGS, INC.

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

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

a 50% interest in KEYTRADE AG (Keytrade), a global fertilizer trading company headquartered near Zurich, Switzerland, which we account for as an equity method investment.

Financial Executive Summary

We reported net earnings of $684.6 million in 2008 compared to net earnings of $372.7 million in 2007, reflecting the impact of a strong pricing environment for our products. Our results for 2008 included a net pre-tax unrealized mark-to-market loss of $63.8 million ($41.1 million after tax) on natural gas derivatives in our nitrogen segment and a $57.0 million ($36.7 million after tax) non-cash inventory valuation charge in our phosphate segment. Net earnings of $372.7 million in 2007 included a net $17.0 million pre-tax unrealized mark-to-market gain ($11.0 million after tax) on natural gas derivatives.

Our gross margin increased by $552.7 million to $1,222.7 million in 2008 compared to $670.0 million in 2007. The increase in gross margin resulted mainly from higher average nitrogen and phosphate selling prices, partially offset by higher phosphate raw material costs, higher realized natural gas costs, increased purchased product costs, as well as unrealized mark-to-market losses on natural gas derivatives and valuation charges to phosphate and potash inventories.

Our net sales increased 42% to $3.9 billion in 2008 compared to $2.8 billion in 2007. The increase reflected higher average nitrogen and phosphate selling prices offset slightly by lower nitrogen and phosphate sales volume. Total sales volume was 7.9 million tons in 2008 as compared to 8.9 million tons in 2007.

Cash flow from operations decreased $51.5 million to $638.6 million in 2008, due primarily to cash used to support an increase in inventory that more than offset improved operating results.

As of December 31, 2008, we had cash and cash equivalents of $625.0 million, $177.8 million of illiquid investments in auction rate securities and a $347.8 million current liability attributable to customer advances related to cash deposits received under our FPP. As of December 31, 2007, we had cash and cash equivalents of $366.5 million, short term investments (mainly auction rate securities) of $494.5 million and customer advances of $305.8 million, respectively.

We paid cash dividends of $22.0 million in 2008, an increase of $17.5 million from 2007, due to an increase of the quarterly dividend to $0.10 per common share from $0.02 per common share.

On August 30, 2008 we implemented an orderly shutdown of our Donaldsonville, Louisiana nitrogen complex in anticipation of Hurricane Gustav, which struck the region on September 1, 2008. Although the Donaldsonville complex suffered only minor damage, the hurricane caused substantial damage to the electrical power distribution system in the region causing the complex to be without power until September 8, 2008. Production units were brought back online progressively and all production units were operational by September 24, 2008. Total lost production as a result of the storm consisted of about 40,000 shippable tons of ammonia, 100,000 tons of urea and 31,000 tons of UAN (28%) solution. This

production disruption did not impact our ability to meet our sales commitments. The cost of repairs and incremental expenses was approximately $5 million, which was charged to cost of sales mainly in the third quarter.

CF INDUSTRIES HOLDINGS, INC.

Additionally, approximately $7 million of fixed overhead costs at the Donaldsonville complex were charged directly to cost of sales due to the shutdown.

During the fourth quarter of 2008, we repurchased and retired 8.5 million shares of our common stock for approximately $500 million (at an average price of $58.96 per share) under a program authorized by our Board of Directors.

Company History

We were founded in 1946 as a fertilizer brokerage operation by a group of regional agricultural cooperatives seeking to pool their purchasing power. During the 1960s, we expanded our distribution capabilities and diversified into fertilizer manufacturing through the acquisition of several existing plants and facilities. During the 1970s and again during the 1990s, we expanded our production and distribution capabilities significantly, spending approximately $1 billion in each of these decades.

Through the end of 2002, we operated as a traditional supply cooperative. Our focus was on providing our pre-IPO owners with an assured supply of fertilizer. Typically, over 80% of our annual sales volume was to our pre-IPO owners. Though important, financial performance was subordinate to our mandated supply objective.

In 2002, we reassessed our corporate mission and adopted a new business model that established financial performance, rather than assured supply to our pre-IPO owners, as our principal objective. A critical aspect of the new business model was to establish a more economically driven approach to the marketplace. Under the new business model, we began to pursue markets and customers and make pricing decisions with a primary focus on financial performance. One result of this approach was a substantial shift in our customer mix. By 2008, our sales to customers other than our pre-IPO owners and Viterra Inc. (formerly Westco), our joint venture partner in CFL, reached approximately 53% of our total sales volume for the year, which was more than double the comparable percentage for 2002.

CF Holdings was formed as a Delaware corporation in April 2005 to hold the existing businesses of CF Industries, Inc. On August 16, 2005, we completed our initial public offering (IPO) of common stock. We sold approximately 47.4 million shares of our common stock in the offering and received net proceeds, after deducting underwriting discounts and commissions, of approximately $715.4 million. We did not retain any of the proceeds from our IPO. In connection with our IPO, we consummated a reorganization transaction in which CF Industries, Inc. ceased to be a cooperative and became our wholly-owned subsidiary. In the reorganization transaction, all of the equity interests in CF Industries, Inc. were cancelled in exchange for all of the proceeds of the IPO and approximately 7.6 million shares of our common stock.

Significant Items

2008

During 2008, the nitrogen and phosphate segments experienced record high selling prices due to favorable supply and demand balances until the fourth quarter when sharply reduced fertilizer demand significantly impacted nitrogen and phosphate selling prices. Factors leading to reduced demand included poor weather in North America, declining crop prices and reduced credit availability. Consolidated net sales increased by $1.1 billion, or 42%, to $3.9 billion in 2008, with increases due to higher average selling prices in both the nitrogen and phosphate segments. Gross margin increased by $552.7 million in 2008. Our 2008 gross margin included a $63.8 million pre-tax unrealized mark-to-market loss on natural gas derivatives. In 2008, we began staging purchased potash fertilizer in our distribution network and expect to commence sales in the spring season of 2009. The potash results

CF INDUSTRIES HOLDINGS, INC.

are included in the phosphate segment. During the fourth quarter, we recorded a $57.0 million pre-tax ($36.7 million after tax) non-cash charge to write down our phosphate ($30.3 million) and potash ($26.7 million) inventories as the carrying cost exceeded the estimated net realizable values.

During the fourth quarter of 2008, we repurchased and retired 8.5 million shares of our common stock for approximately $500 million (at an average price of $58.96 per share) under a program authorized by our Board of Directors.

2007

Both the nitrogen and phosphate segments in 2007 were favorably impacted by improved demand and pricing as a robust agricultural economy characterized by strong domestic and international grain markets produced high global demand for fertilizer. Increasing demand pushed average selling prices higher as the year progressed. Consolidated net sales increased by $723.8 million, or 36%, to $2.8 billion in 2007, with increases in both the nitrogen and phosphate segments. Gross margin increased by $522.8 million in 2007. Our 2007 gross margin included a $17.0 million pre-tax unrealized mark-to-market gain on natural gas derivatives.

Keytrade is a reseller of fertilizer products that it purchases from various manufacturers around the world and resells in approximately 50 countries through a network of seven offices. During 2007, we purchased a 50% voting interest in Keytrade for $25.9 million. Under this arrangement, we utilize Keytrade as our exclusive exporter of phosphate fertilizer products from North America, and Keytrade is our exclusive importer of UAN products into North America. We also provided $13.7 million in a combination of subordinated financing for Keytrade under notes that will mature in September 2017 and preferred stock. We report Keytrade as an equity method investment.

We periodically review the depreciable lives assigned to our production facilities and related assets, as well as estimated production capacities used to develop our units-of-production (UOP) depreciation expense, and we change our estimates to reflect the results of those reviews. In the fourth quarter of 2006, we completed such a review and, as a result, we increased the depreciable lives of certain assets at our nitrogen production facilities from ten years to fifteen years. Separately, we revised the estimates of production capacities for certain UOP assets at our Donaldsonville, Louisiana nitrogen complex and all UOP assets at our Plant City, Florida phosphate complex. The effect of this change in estimate for the twelve months ended December 31, 2007 was an increase in earnings before income taxes of $10.3 million, an increase in net earnings of $6.7 million, and an increase in diluted earnings per share of $0.12.

2006

The domestic nitrogen segment in 2006 was affected by adverse conditions early in the year due to the remaining impacts from the 2005 hurricane season and its impact on natural gas pricing due to damage experienced by Gulf of Mexico gas producers. Later in the year, natural gas prices fell, and a tight international market for fertilizer products and an expectation of a stronger planting season in early 2007 led to a stabilization in overall pricing. Results for our phosphate business in 2006 were impacted favorably by increased domestic demand and stable international conditions. Consolidated net sales increased $65.0 million, or 3.3%, in 2006 to $2.0 billion, with increases in both the nitrogen and phosphate segments. Gross margin declined by $62.0 million, or 30%, to $147.2 million. Our 2006 gross margin was impacted by a $30.7 million pre-tax charge for unrealized mark-to-market losses on natural gas derivatives and a pre-tax charge of $21.6 million for adjustments to asset retirement obligations (AROs) and demolition costs primarily related to our closed Bartow, Florida complex. Late in 2006, management committed to a plan to relocate its corporate office to Deerfield, Illinois. The move was completed in the first quarter of 2007.

Table of Contents

Key Industry Factors

We operate in a highly competitive, global industry. Our products are globally-traded commodities and, as a result, we compete principally on the basis of delivered price and to a lesser extent on customer service and product quality. Moreover, our operating results are influenced by a broad range of factors, including those outlined below.

Global Supply & Demand

Historically, global fertilizer demand has been driven primarily by population growth, changes in dietary habits and planted acreage and application rates, among other things. We expect these key variables to continue to have major impacts on long-term fertilizer demand for the foreseeable future. Short-term fertilizer demand depends on global economic conditions, weather patterns, the level of global grain stocks relative to consumption, federal regulations, including requirements mandating increased use of bio-fuels and farm sector income. Other geopolitical factors like temporary disruptions in fertilizer trade related to government intervention or changes in the buying/selling patterns of key consuming/exporting countries such as China, India or Brazil often play a major role in shaping near-term market fundamentals. The economics of fertilizer manufacturing play a key role in decisions to increase or reduce production capacity. Supply of fertilizers is generally driven by available capacity and operating rates, raw material costs, government policies and global trade.

Natural Gas Prices

Natural gas is the principal raw material used to produce nitrogen fertilizers. We use natural gas both as a chemical feedstock and as a fuel to produce ammonia, urea and UAN. Because all of our nitrogen fertilizer manufacturing facilities are located in the United States and Canada, the price of natural gas in North America directly impacts a substantial portion of our operating expenses. Expenditures on natural gas comprised approximately 56% of the total cost of our nitrogen fertilizer sales in 2008 and a higher percentage of cash production costs (total production costs less depreciation and amortization).

Farmers' Economics

The demand for fertilizer is affected by the aggregate crop planting decisions and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors like their current liquidity, soil conditions, weather patterns and the types of crops planted. Fertilizer demand has increased in response to increased corn acreage planted to support the growing ethanol industry.

Global Trade in Fertilizer

In addition to the relationship between global supply and demand, profitability within a particular geographic region is determined by the supply/demand balance within that region. Regional supply and demand can be influenced significantly by factors affecting trade within regions. Some of these factors include the relative cost to produce and deliver product, relative currency values and governmental policies affecting trade and other matters. Changes in currency values alter our cost competitiveness relative to producers in other regions of the world.

Imports account for a significant portion of the nitrogen fertilizer consumed in North America. Producers of nitrogen-based fertilizers located in the Middle East, the former Soviet Union, the Republic of Trinidad and Tobago and Venezuela are major exporters to North America.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The domestic phosphate industry is tied to the global market through its position as the world's largest exporter of DAP/MAP. Consequently, phosphate prices and demand for U.S. DAP/MAP are subject to considerable volatility and dependent on a wide variety of factors impacting the world market, including fertilizer and/or trade policies of foreign governments, changes in ocean bound freight rates and international currency fluctuations.

Political and Social Government Policies

The political and social policies of governments around the world can result in the restriction of imports, the subsidization of domestic producers and/or the subsidization of exports. Due to the critical role that fertilizers play in food production, the construction and operation of fertilizer plants often are influenced by these political and social objectives.

Factors Affecting Our Results

Net Sales. Our net sales are derived from the sale of nitrogen and phosphate fertilizers and are determined by the quantities of nitrogen and phosphate fertilizers we sell and the selling prices we realize. The volumes, mix and selling prices we realize are determined to a great extent by a combination of global and regional supply and demand factors. Net sales also include shipping and handling costs that are billed to our customers.

Cost of Sales. Our cost of sales includes manufacturing costs, product purchases and distribution costs. Manufacturing costs, the most significant element of cost of sales, consist primarily of raw materials, maintenance, direct labor and other plant overhead expenses. Purchased product costs primarily include the cost to purchase nitrogen and phosphate fertilizers to augment or replace production at our facilities. Distribution costs include the cost of freight required to transport finished products from our plants to our distribution facilities and storage costs incurred prior to final shipment to customers.

In 2003, we instituted a margin risk management approach utilizing our forward pricing program (FPP), which allows us to manage some of the risks created by the volatility of fertilizer prices and natural gas costs. Through our FPP, we offer our customers the opportunity to purchase product on a forward basis at prices and on delivery dates we propose. As our customers enter into forward nitrogen fertilizer purchase contracts with us, we lock in a substantial portion of the margin on these sales mainly by effectively fixing the cost of natural gas, the largest and most volatile component of our manufacturing cost, using natural gas derivative instruments. See "Forward Pricing Program" later in this discussion and analysis. As a result of fixing the selling prices of our products under our FPP, often months in advance of their ultimate delivery to customers, our reported selling prices and margins may differ from market spot prices and margins available at the time of shipment.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses mainly consist of salaries and other payroll-related costs for our executive, administrative, legal, financial and marketing functions, as well as certain taxes and insurance and other professional service fees. Our selling, general and administrative expenses have increased as a result of the consummation of our IPO. These expenses include additional legal and corporate governance expenses, stock-based awards, salary and payroll-related costs for additional accounting staff, director compensation, exchange listing fees, transfer agent and stockholder-related fees and increased premiums for director and officer liability insurance coverage.

Other Operating Net. Other operating net includes the costs associated with our closed Bartow phosphate facility and other costs that do not relate directly to our central operations. Bartow facility

costs include provisions for phosphogypsum stack and cooling pond closure costs, water treatment costs and costs associated with the cessation of operations. The term "other costs" refers to amounts recorded for environmental remediation for other areas of our business, litigation expenses, gains and losses on the sale of fixed assets and impairment charges for goodwill.

Interest Expense. Our interest expense includes the interest on our long-term debt and notes payable, annual fees on our senior secured revolving credit facility and amortization of the related fees required to execute financing agreements.

Interest Income. Our interest income represents amounts earned on our cash, cash equivalents, investments and advances to unconsolidated affiliates.

Minority Interest. Amounts reported as minority interest represent the 34% minority interest in the net operating results of CFL, our consolidated Canadian joint venture. We own 49% of the voting common stock of CFL and 66% of CFL's non-voting preferred stock. Two of our pre-IPO owners own 17% of CFL's voting common stock, including GROWMARK which owns 9%. The remaining 34% of the voting common stock and non-voting preferred stock of CFL is held by Viterra. We designate four members of CFL's nine-member board of directors, which also has one member designated by each of our two pre-IPO owners that own an interest in CFL and three members designated by Viterra.

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

Under the product purchase agreements, both we and Viterra pay the greater of operating cost or market price for purchases. However, the product purchase agreements also provide that CFL will distribute its net earnings to us and Viterra annually based on the respective quantities of product purchased from CFL. The distributions to Viterra are reported as financing activities in the consolidated statements of cash flows, as we consider these payments to be similar to dividends. Our product purchase agreement also requires us to advance funds to CFL in the event that CFL is unable to meet its debts as they become due. The amount of each advance would be related to the amount of product we purchase, or at least 66% of the deficiency, and would be more in any year in which we purchased more than 66% of Medicine Hat's production. A similar obligation also exists for Viterra. We 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 meets the parties' combined requirements. The management agreement, the product purchase agreements and any other agreements related to CFL are subject to change with the consent of both parties.

Income Taxes. Our income tax provision includes all currently payable and deferred United States and Canadian income tax expense applicable to our ongoing operations.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are projected to be recovered or settled. Realization of deferred tax assets is dependent on our ability to generate sufficient taxable income, of an appropriate character, in future periods. A valuation allowance is established if it is determined to be more likely than not that a

CF INDUSTRIES HOLDINGS, INC.

deferred tax asset will not be realized. Interest and penalties related to unrecognized tax benefits are reported as interest expense and non-operating net, respectively.

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

CFL operates as a cooperative for Canadian income tax purposes and distributes all of its earnings as patronage dividends to its customers, including CF Industries, Inc. For Canadian income tax purposes, CFL is permitted to deduct an amount equal to the patronage dividends it distributes to its customers, provided that certain requirements are met. As a result, CFL records no income tax provision.

Equity in Earnings of Unconsolidated Affiliates Net of Taxes. Equity in earnings of unconsolidated affiliates net of taxes represents our share of the net earnings of the entities in which we have an ownership interest and exert significant operational and financial influence. Income taxes related to these investments, if any, are reflected in this line. The amounts recorded as equity in earnings of unconsolidated affiliates-net of taxes in 2008 and 2007 relate to our investment in Keytrade.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Results of Consolidated Operations

The following tables present our consolidated results of operations:

	Year ended December 31,				
	2008	2007	2006	2008 v. 2007	2007 v. 2006
	(in millions, except per share amounts)				
Net sales	$3,921.1	$2,756.7	$2,032.9	$ 1,164.4	$ 723.8
Cost of sales	2,698.4	2,086.7	1,885.7	611.7	201.0
Gross margin	1,222.7	670.0	147.2	552.7	522.8
Selling, general and administrative	68.0	65.2	54.5	2.8	10.7
Other operating net	4.5	3.2	21.4	1.3	(18.2)
Operating earnings	1,150.2	601.6	71.3	548.6	530.3
Interest expense	1.6	1.7	2.9	(0.1)	(1.2)
Interest income	(26.1)	(24.4)	(12.5)	(1.7)	(11.9)
Minority interest	116.9	54.6	28.8	62.3	25.8
Other non-operating net	(0.7)	(1.6)	(0.9)	0.9	(0.7)
Earnings before income taxes and equity in earnings of unconsolidated affiliates	1,058.5	571.3	53.0	487.2	518.3
Income tax provision	378.1	199.5	19.7	178.6	179.8
Equity in earnings of unconsolidated affiliates net of taxes	4.2	0.9		3.3	0.9
Net earnings	$ 684.6	$ 372.7	$ 33.3	$ 311.9	$ 339.4
Diluted net earnings per share	$ 12.15	$ 6.57	$ 0.60	$ 5.58	$ 5.97
Diluted weighted average common shares outstanding	56.4	56.7	55.1	(0.3)	1.6

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Consolidated Operating Results

In 2008, the nitrogen segment benefited from record high crop prices and tight global supply conditions through most of the year. Later in the year the nitrogen segment was adversely impacted by poor weather conditions during the fall application period and rapidly declining demand due to a combination of declining grain prices and the impact of the world financial crisis. Operating results in our phosphate segment also improved over 2007 due to record high selling prices and tight international supply/demand conditions. Our phosphate segment was also adversely affected later in 2008 by a deteriorating international market as well as reduced domestic demand. Our total gross margin increased by $552.7 million to $1,222.7 million for 2008, from a gross margin of $670.0 million for 2007. The increase resulted mainly from higher average nitrogen and phosphate selling prices, partially offset by higher raw material costs, increased purchased product costs, unrealized mark-to-market losses on natural gas derivatives, and, later in the year, inventory valuation charges in the phosphate segment. Net earnings of $684.6 million for 2008 included a net pre-tax unrealized mark-to-market loss of $63.8 million ($41.1 million after tax) on natural gas derivatives as well as a $57.0 million ($36.7 million after tax) non-cash inventory valuation charge in our phosphate segment. Net earnings of $372.7 million for 2007 included a pre-tax unrealized mark-to-market gain of $17.0 million ($11.0 million after tax) on natural gas derivatives.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Net Sales

Our net sales were $3.9 billion for 2008, or $1.1 billion higher than net sales for 2007. Higher average nitrogen and phosphate selling prices were partially offset by lower sales volume. Average nitrogen and phosphate selling prices for 2008 were 44% and 108% higher, respectively, than the prices for similar products in 2007, reflecting overall tight market conditions and increased international demand. Our total sales volume decreased 11% to 7.9 million tons for 2008 versus 8.9 million tons for 2007. Nitrogen sales volume in 2008 decreased 797,000 tons, or 12%, to 6.1 million tons for 2008 compared to 6.9 million tons in 2007 due mainly to poor weather conditions during the spring and fall application periods and the decision to reduce sales of low-margin purchased UAN. Our total level of phosphate sales volume was 1.8 million tons for 2008, compared to 2.0 million tons sold in 2007. The decrease in 2008 was caused by reduced domestic demand due to customers deferring phosphate purchases because of ample downstream inventories and uncertain farm economics.

Cost of Sales

Total cost of sales in our nitrogen segment averaged $296 per ton for 2008 compared to $230 per ton in 2007, an increase of 29%. This increase was due largely to higher purchased product costs, higher realized natural gas costs and the effect of unrealized mark-to-market adjustments on natural gas derivatives. The phosphate segment cost of sales averaged $491 per ton for 2008, compared to $247 per ton in the prior year, an increase of 99%. This increase was due mainly to higher sulfur and ammonia costs and an inventory valuation charge.

During 2008, we sold approximately 5.6 million tons of fertilizer under our FPP, representing approximately 71% of our total sales volume for the period. In 2007, we sold approximately 5.4 million tons of fertilizer under this program, representing approximately 60% of our total sales volume for the period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 4% to $68.0 million in 2008 compared to $65.2 million in 2007. This increase was related primarily to an increase in consulting fees, legal fees, corporate office expenses related to maintaining our previous corporate headquarters and expenses related to performance-based incentive compensation. These increases were partially offset by lower long-term stock-based compensation, other compensation-related costs and higher acquisition expenses in the prior period related to our 2007 investment in Keytrade.

Other Operating Net

Other operating net increased $1.3 million to $4.5 million in 2008 from $3.2 million in 2007. This increase includes a $4.6 million charge in 2008 primarily for asset retirement obligations (AROs) to recognize revised cost estimates to close the cooling pond and phosphogypsum stack system at our closed Bartow, Florida facility. Both 2008 and 2007 include gains that were recognized upon the sale of certain closed facilities or property and equipment. During 2008, we recorded a gain on the sale of both the excess land at our previous headquarters in Long Grove, Illinois and certain property and equipment at our Donaldsonville, Louisiana nitrogen complex. In 2007, we recognized a gain when we sold a warehouse and a parcel of land at Bartow. For a detailed explanation of the accounting for AROs at Bartow, please refer to Note 11 of our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Interest Net

Interest net increased $1.8 million to $24.5 million of net interest income in 2008 from $22.7 million of net interest income in 2007. Interest income increased $1.7 million to $26.1 million in 2008 from $24.4 million in 2007 due to higher average balances of invested cash and higher average rates of return on securities held. Interest expense decreased $0.1 million to $1.6 million in 2008 from $1.7 million in 2007.

Minority Interest

Amounts reported as minority interest represent the interest of the 34% minority holder of CFL's common and preferred shares. The increase in 2008 was due to strong CFL operating results. The improvement in CFL operating results reflects higher sales prices for nitrogen fertilizers produced in Canada.

Income Taxes

Our income tax provision for 2008 was $378.1 million, and represents an effective tax rate of 35.7%. This compared with a tax provision of $199.5 million on pre-tax earnings for 2007, and an effective tax rate of 34.9%. The 2008 increase in the effective tax rate results principally from lower tax-exempt interest income earned on our investments in 2008.

Equity in Earnings of Unconsolidated Affiliates Net of Taxes

Equity in earnings of unconsolidated affiliates net of taxes for 2008 and 2007 consists of our share of the operating results of Keytrade.

Diluted Net Earnings Per Share and Weighted-Average Common Shares Outstanding

Diluted net earnings per share increased to $12.15 per share for 2008 from $6.57 per share for 2007 due primarily to the increase in net earnings. Diluted weighted-average common shares outstanding of 56.4 million for 2008 approximated the prior year level.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Consolidated Operating Results

Increased domestic demand, coupled with tight domestic and international markets, drove strong financial performance in the nitrogen segment in 2007, as compared to the prior year. Demand increased due to an increase in corn acreage planted, higher spring season application rates, a strong fall application season driven by favorable weather conditions and expectations of a strong spring season in 2008. Operating results in our phosphate segment improved due to tight domestic supply/demand conditions and strong worldwide demand. Our total gross margin increased by $522.8 million to $670.0 million for 2007, from a gross margin of $147.2 million for 2006. The increase was due largely to higher average nitrogen and phosphate selling prices, unrealized mark-to-market adjustments on natural gas derivatives, and higher nitrogen sales volume, partially offset by higher purchased product costs and higher realized natural gas costs. Net earnings of $372.7 million for 2007 included a net pre-tax unrealized mark-to-market gain of $17.0 million ($11.0 million after tax) on natural gas derivatives and a pre-tax charge of $1.0 million ($0.7 million after tax) for changes in estimates to our asset retirement obligations (AROs) and demolition costs. Net earnings of $33.3 million for 2006 included a pre-tax charge of $30.7 million ($18.7 million after tax) for unrealized mark-to-market losses

on natural gas derivatives and a pre-tax charge of $21.6 million ($13.1 million after tax) for adjustments to AROs and demolition costs primarily related to our closed Bartow, Florida complex.

Net Sales

Our net sales were $2.8 billion for 2007, or $723.8 million higher than net sales for 2006, due largely to higher average nitrogen and phosphate selling prices and an increase in nitrogen sales volume. Our total sales volume increased 6% to 8.9 million tons for 2007 versus 8.4 million tons for 2006. Nitrogen sales volume in 2007 increased 628,000 tons, or 10%, to 6.9 million tons for 2007 compared to 6.3 million tons in 2006 due to increased domestic demand and our customers' anticipation of a strong spring season in 2008. Our total level of phosphate sales was 2.0 million tons for 2007, slightly below the 2.1 million tons sold in 2006. Average nitrogen and phosphate selling prices for 2007 were 22% and 46% higher, respectively, than the prices for similar products in 2006 reflecting overall tight market conditions and increased domestic demand.

Cost of Sales

Total cost of sales of the nitrogen segment averaged $230 per ton for 2007 compared to $226 per ton in 2006, an increase of 2%. This increase was due largely to higher purchased product costs and higher realized natural gas costs, partially offset by unrealized mark-to-market adjustments on natural gas derivatives. Phosphate cost of sales averaged $247 per ton for 2007, compared to $221 per ton in the prior year, an increase of 12%. This increase was due mainly to higher costs for finished products we purchased to supplement our production and higher phosphate rock costs.

During 2007, we sold approximately 5.4 million tons of fertilizer under our FPP, representing approximately 60% of our total sales volume for the period. In 2006, we sold approximately 3.0 million tons of fertilizer under this program, representing approximately 36% of our total sales volume for the period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 20% to $65.2 million in 2007 compared to $54.5 million in 2006. The year-over-year increase in expense for 2007 resulted largely from increased expenses related to performance-based short-term management incentive compensation expenses related to the relocation of our corporate headquarters to Deerfield, Illinois, increased compensation costs associated with our long-term stock-based compensation, expenses related to our Keytrade investment and certain software implementation costs.

Other Operating Net

Other operating net decreased to $3.2 million in 2007 from $21.4 million in 2006. We recorded a $3.8 million gain on the third quarter 2007 sale of a parcel of land and a warehouse at our closed Bartow, Florida, facility. In conjunction with that sale we reduced the related AROs by $1.0 million to reflect obligations previously recognized for which we are now no longer responsible. On an annual basis, we review all aspects of the closed Bartow complex with respect to AROs and other plant site closure related activities. As a result of our year end 2007 review, as well as other reviews performed during the year, we recorded net upward adjustments of $0.8 million to other Bartow AROs during 2007. This upward adjustment excluded the $1.0 million reduction due to the sale of the land and warehouse previously mentioned. In 2006, we recorded a charge of $14.9 million, primarily in the fourth quarter, to reflect revised estimates for water treatment and phosphogypsum stack system closure costs and plant closure costs. These Bartow-related charges pertained to additional water

treatment costs to accommodate closure of the cooling pond, additional phosphogypsum stack system closure costs associated with the cooling channel as well as higher costs related to site closure activities, storm water management and closure of the waste water treatment system. We also recorded a $3.3 million charge, again primarily in the fourth quarter of 2006, for additional planned demolition activities at Bartow. For a detailed explanation of the accounting for AROs at Bartow, please refer to Note 11 of our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data.

Interest Net

Interest net increased to $22.7 million of net interest income in 2007 from $9.6 million of net interest income in 2006. Interest income increased to $24.4 million in 2007 from $12.5 million in 2006 due to higher average balances of invested cash partially offset by lower average rates of return. The decrease in the average rates of return is due to substantially all of our short-term investments for 2007 being in securities that are exempt from federal taxation. Interest expense decreased 41% to $1.7 million in 2007 from $2.9 million in 2006. This decrease was due primarily to $1.0 million of interest expense recorded in the second quarter of 2006 related to a Canadian income tax matter.

Minority Interest

Amounts reported as minority interest represent the interest of the 34% minority holder of CFL's common and preferred shares. The increase in 2007 was due to CFL operating results. The improvement in CFL operating results reflects stronger market conditions for nitrogen fertilizers produced in Canada.

Income Taxes

Our income tax provision for 2007 was $199.5 million, resulting in an effective tax rate of 34.9%. This compared with a tax provision of $19.7 million on pre-tax earnings for 2006, and an effective tax rate of 37.2%. The 2007 decrease in the effective tax rate results principally from the impact of an increase in the U.S. domestic production activities deduction and non-taxable interest income earned on short-term investments.

Equity in Earnings of Unconsolidated Affiliates Net of Taxes

Equity in earnings of unconsolidated affiliates net of taxes for 2007 consists of our share of the operating results of Keytrade for the period we held the investment in 2007. The amounts recorded in 2007 include a deferred U.S. income tax provision of $0.7 million on our share of the earnings.

Diluted Net Earnings Per Share and Weighted-Average Common Shares Outstanding

Diluted net earnings per share increased to $6.57 per share for 2007 from $0.60 per share for 2006 due primarily to the increase in net earnings, partially offset by an increase in the diluted weighted-average shares of outstanding common stock. The increase in the diluted weighted-average shares of outstanding common stock in 2007 versus 2006 is due to the impact of stock option and restricted stock activity in 2007.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Operating Results by Business Segment

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

Nitrogen Segment

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

	Year ended December 31,				
	2008	**2007**	**2006**	**2008 v. 2007**	**2007 v. 2006**
	(in millions, except as noted)				
Net sales	$2,591.1	$2,041.9	$1,521.9	$ 549.2	$ 520.0
Cost of sales	1,820.8	1,595.1	1,423.4	225.7	171.7
Gross margin	$ 770.3	$ 446.8	$ 98.5	$ 323.5	$ 348.3
Gross margin percentage	29.7%	21.9%	6.5%		
Tons of product sold (000s)	6,141	6,938	6,310	(797)	628
Sales volume by product (000s)					
Ammonia	1,079	1,434	1,226	(355)	208
Urea	2,617	2,701	2,619	(84)	82
UAN	2,405	2,754	2,420	(349)	334
Other nitrogen products	40	49	45	(9)	4
Average selling price per ton by product					
Ammonia	$ 560	$ 388	$ 362	$ 172	$ 26
Urea	462	329	251	133	78
UAN	321	215	172	106	43
Cost of natural gas (per MMBtu)[1]					
Donaldsonville	$ 9.42	$ 7.81	$ 7.20	$ 1.61	$ 0.61
Medicine Hat	7.74	6.24	6.56	1.50	(0.32)
Average daily market price of natural gas (per MMBtu)					
Henry Hub (Louisiana)	$ 8.82	$ 6.93	$ 6.74	$ 1.89	$ 0.19
AECO (Alberta)	7.76	5.99	5.76	1.77	0.23
Depreciation and amortization	$ 57.3	$ 50.4	$ 59.2	$ 6.9	$ (8.8)
Capital expenditures	$ 74.2	$ 61.1	$ 26.0	$ 13.1	$ 35.1
Production volume by product (000s)					
Ammonia[2][3]	3,249	3,289	3,158	(40)	131
Granular urea[2]	2,355	2,358	2,334	(3)	24
UAN (28%)	2,602	2,611	2,336	(9)	275

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

(2) Total production at Donaldsonville and Medicine Hat, including the 34% interest of Viterra, our joint venture partner in CFL.

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

CF INDUSTRIES HOLDINGS, INC.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Sales. Nitrogen segment net sales increased 27% to $2.6 billion in 2008, compared to $2.0 billion in 2007, due to higher average selling prices partially offset by lower sales volume. The 44% increase in average ammonia selling prices for 2008, was driven primarily by both a tight domestic and international supply/demand balance and the expectation of strong Midwest fall application seasons. Strength in international markets, reflecting a reduction in Chinese exports and increased demand in Latin America contributed to the 40% increase in average urea selling prices. The 49% increase in average UAN selling prices for 2008 compared to 2007 reflected the impact of reduced import volume, below average producer inventory and stronger conditions in the international market through the third quarter of 2008. While spot selling prices across all nitrogen products decreased significantly later in the year, we benefited from the substantial volume we had booked under our FPP, with prices that were established earlier in the year. Nitrogen sales volume decreased 12% to 6.1 million tons in 2008 compared to 6.9 million tons in 2007. Ammonia volume, which decreased approximately 355,000 tons in 2008, was impacted by poor weather conditions during both the spring and the fall application periods. Also, overall nitrogen consumption, including ammonia, was affected during the spring by a reduction in planted corn acres, relative to the previous year. The 3% decrease in urea sales volumes resulted from relatively full downstream inventories late in the year. The 349,000 ton decrease in UAN sales volumes resulted primarily from our decision to reduce sales of low-margin purchased UAN and a slowdown in demand stemming from high downstream inventories in the second half of the year caused by product carryover from weak spring product movement.

Cost of Sales. Total cost of sales in the nitrogen segment increased 29% to $296 per ton for 2008, compared to $230 per ton for 2007, due largely to higher realized natural gas costs and higher purchased product costs in addition to unrealized mark-to-market adjustments on natural gas derivatives. The costs of finished products purchased for resale were approximately $104.0 million higher in 2008 than in 2007 due primarily to the overall increase in nitrogen prices. The overall weighted-average cost of natural gas supplied to our Donaldsonville facility and CFL's Medicine Hat facility, including realized gains and losses on derivatives, increased by 22% in 2008 versus the cost in 2007. Cold temperatures in the first quarter of 2008, along with strong crude oil prices throughout most of the first nine months of 2008, helped drive natural gas prices higher relative to the prior year. However, in the fourth quarter natural gas prices declined to levels consistent with the fourth quarter of 2007 due to declines in crude oil prices driven by the overall global economic slowdown.

We report our natural gas derivatives on the balance sheet at their fair value. Changes in the fair value of these derivatives are recorded in cost of sales as the changes occur. We recognized a net $63.8 million unrealized mark-to-market loss in 2008 compared to a net $17.0 million unrealized mark-to-market gain in 2007.

During 2008, we sold approximately 4.5 million tons of nitrogen fertilizers under our FPP, representing approximately 74% of our nitrogen sales volume for the period. In 2007, we sold approximately 4.6 million tons of nitrogen fertilizers under this program, representing approximately 66% of our nitrogen sales volume for the period.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Sales. Nitrogen segment net sales increased 34% to $2.0 billion in 2007, compared to $1.5 billion in 2006, due to higher average selling prices as well as higher sales volume. The 7% increase in average ammonia selling prices for 2007, arising mainly in the fourth quarter, was driven primarily by tight supplies heading into the quarter and a strong fall application season. Higher average urea selling prices reflected continued strong domestic and international demand. The 25% increase in

Table of Contents

average UAN selling prices for 2007 compared to 2006 reflected strong domestic demand and a tight supply/demand balance. Nitrogen sales volume increased 10% to 6.9 million tons in 2007 compared to 6.3 million tons in 2006. The increase was due to the impact of an increase in corn acres planted, higher fertilizer application rates in the spring, as well as a strong fall ammonia application season and demand in anticipation of a strong spring 2008 planting season. The increase in corn acreage was driven by greater demand by ethanol producers, low corn inventories and continued strong demand for feed.

Cost of Sales. Total cost of sales in our nitrogen segment averaged $230 per ton for 2007, compared to $226 per ton for 2006, an increase of 2%, largely due to higher purchased product costs and higher realized natural gas costs, partially offset by unrealized mark-to-market adjustments on natural gas derivatives. The costs of finished fertilizer products purchased for resale were approximately $57.6 million higher in 2007 than in 2006 due to an increase in the amount of sales volume supported by purchased products as well as the overall increase in nitrogen prices, both factors occurring mainly during the last six months of 2007. The overall weighted-average cost of natural gas supplied to our Donaldsonville facility and CFL's Medicine Hat facility, including realized gains and losses on derivatives, increased by 4% in 2007 versus the cost in 2006. The increase in realized gas costs was due mainly to greater net realized losses on our natural gas derivatives.

We report our natural gas derivatives on the balance sheet at their fair value. Changes in the fair value of these derivatives are recorded in cost of sales as the changes occur. We recognized a net $17.0 million unrealized mark-to-market gain in 2007 compared to a net $30.7 million unrealized mark-to-market loss in 2006.

During 2007, we sold approximately 4.6 million tons of nitrogen fertilizers under our FPP, representing approximately 66% of our nitrogen fertilizer sales volume for the period. In 2006, we sold approximately 2.7 million tons of nitrogen fertilizers under this program, representing approximately 44% of our nitrogen sales volume for the period.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Phosphate Segment

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

	Year ended December 31,				
	2008	2007	2006	2008 v. 2007	2007 v. 2006
	(in millions, except as noted)				
Net sales	$ 1,330.0	$ 714.8	$ 511.0	$ 615.2	$ 203.8
Cost of sales[1]	877.6	491.6	462.3	386.0	29.3
Gross margin	$ 452.4	$ 223.2	$ 48.7	$ 229.2	$ 174.5
Gross margin percentage	34.0%	31.2%	9.5%		
Gross margin by product[1]					
DAP/MAP	$ 480.9	$ 223.2	$ 48.7	$ 257.7	$ 174.5
Potash	(28.5)			(28.5)	
Gross margin percentage by product					
DAP/MAP	36.2%	31.2%	9.5%		
Tons of product sold (000s)	1,787	1,994	2,090	(207)	(96)
Sales volume by product (000s)					
DAP	1,532	1,624	1,676	(92)	(52)
MAP	255	370	414	(115)	(44)
Domestic vs export sales of DAP/MAP (000s)					
Domestic	1,263	1,557	1,447	(294)	110
Export	524	437	643	87	(206)
Average selling price per ton by product					
DAP	$ 760	$ 357	$ 243	$ 403	$ 114
MAP	646	366	251	280	115
Depreciation, depletion and amortization	$ 40.5	$ 31.5	$ 33.1	$ 9.0	$ (1.6)
Capital expenditures	$ 66.2	$ 39.9	$ 32.2	$ 26.3	$ 7.7
Production volume by product (000s)					
Phosphate rock	3,443	3,233	3,805	210	(572)
Sulfuric acid	2,448	2,531	2,598	(83)	(67)
Phosphoric acid as P_2O_5[1]	985	976	1,009	9	(33)
DAP/MAP	1,980	1,948	2,023	32	(75)
Potash purchases (000s)	164			164	

(1) The year ended December 31, 2008 includes inventory valuation adjustments associated with our phosphate and potash inventories of $30.3 million and $26.7 million, respectively.

(2) P_2O_5 is the basic measure of the nutrient content in phosphate fertilizer products.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Sales. Phosphate segment net sales increased 86% to $1,330.0 million for 2008 compared to $714.8 million in 2007, due primarily to higher average selling prices. Average phosphate selling prices during 2008 more than doubled compared to prices in 2007. The increase was driven by strong worldwide demand caused by tightening world crop balances, record grain and oilseed prices and a

run-up in raw material prices. While spot phosphate selling prices weakened during the last quarter of 2008, we benefited from certain sales made through our FPP at prices agreed upon earlier in the year. Our phosphate sales volume decreased 10% to 1.8 million tons in 2008 compared to 2.0 million tons in 2007. Although export sales increased by 87,000 tons, domestic sales volumes dropped 19%. Most of this decline occurred in the fourth quarter of 2008 as downstream retailer and distributor inventories were full and customers deferred phosphate purchases due to uncertain farm economics.

Cost of Sales. Phosphate segment cost of sales averaged $491 per ton for 2008, almost double the $247 per ton in the prior year. This increase was due mainly to higher sulfur and ammonia costs and a $57.0 million non-cash inventory valuation adjustment. Both sulfur and ammonia costs demonstrated significant volatility during the year. Average annual sulfur costs for 2008 were more than five times the costs for 2007 due to continued tightening in the international markets during the first half of the year, which carried over from the end of 2007. As the international markets began to loosen in the second half of the year, domestic supply was interrupted due to hurricanes in the gulf coast in the third quarter, but the sulfur market collapsed in the fourth quarter due to phosphate production curtailments worldwide. An 81% increase in ammonia costs reflected a strong international market until late in the year when demand for phosphate production decreased.

In the second half of 2008, we began staging purchased potash fertilizer in our distribution network and expect to commence sales in the spring season of 2009. The potash results are included in the phosphate segment. During the fourth quarter, we recorded a $57.0 million non-cash charge to write down our phosphate and potash inventories by $30.3 million and $26.7 million, respectively, as the carrying cost of the inventories exceeded the estimated net realizable values.

During 2008, we sold approximately 1.1 million tons of phosphate fertilizer under our FPP, representing approximately 61% of our phosphate fertilizer sales volume for the period. In 2007, we sold approximately 835,000 tons of phosphate fertilizer under this program, representing approximately 42% of our phosphate fertilizer sales volume for the period.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Sales. Phosphate segment net sales increased 40% to $714.8 million for 2007 compared to $511.0 million in 2006, due to higher average selling prices, partially offset by lower sales volume. Average phosphate selling prices during 2007 increased by 46% compared to prices in 2006. The increase was driven by strong domestic demand and reduced domestic production volumes (relative to historic levels) leading to a tight domestic supply/demand balance. Our total level of phosphate sales of 2.0 million tons in 2007 decreased 5% compared to 2.1 million tons in 2006. Export sales of DAP and MAP declined by 206,000 tons primarily from reduced availability of product due to scheduled first quarter maintenance activity at our Plant City, Florida phosphate complex, along with supply being made available for second quarter domestic sales in anticipation of increased domestic demand. Effective November 30, 2007, we terminated our membership in PhosChem and we no longer utilize this sales association to export phosphate fertilizers. Keytrade has become our sole exporter of phosphate fertilizers.

Cost of Sales. Phosphate cost of sales averaged $247 per ton for 2007 compared to $221 per ton for 2006. The 12% increase was due mainly to higher purchased product costs and higher phosphate rock costs, as well as higher sulfur costs. Purchased product costs were approximately $13.4 million higher in 2007 than in the same period of 2006, due primarily to an increase in the amount of sales volume supported by purchased products, mainly occurring during the second quarter of 2007. Higher per-ton phosphate rock mining costs were due to fewer tons mined in 2007 as compared to 2006 resulting from unfavorable mining conditions as well as higher earthmoving costs for land management. Average annual sulfur costs increased by 10% for 2007 compared to 2006. The increase, mainly

Table of Contents

occurring in the fourth quarter of 2007, reflected the impact of a strengthening domestic sulfur market fueled by strong demand and insufficient supply. We expect the domestic and international sulfur markets to remain tight in 2008 due to strong anticipated demand from phosphate fertilizer and metal producers.

During 2007, we sold approximately 835,000 tons of phosphate fertilizer under our FPP, representing approximately 42% of our phosphate sales volume for the period. In 2006, we sold approximately 294,000 tons of phosphate fertilizer under this program, representing approximately 14% of our phosphate sales volume for the period.

Liquidity and Capital Resources

Our primary source of cash is cash from operations, which includes customer advances. Our primary uses of cash are operating costs, working capital needs, capital expenditures and dividends. Our working capital requirements are affected by several factors, including demand for our products, selling prices for our products, raw material costs, freight costs and seasonality factors inherent in the business. Under our short-term investment policy, we invest our excess cash balances in several types of securities, including notes and bonds issued by governmental entities or corporations, and money market funds. Securities issued by governmental agencies include those issued directly by the U.S. government, those issued by state, local or other governmental entities, and those guaranteed by entities affiliated with governmental entities.

Cash Balances

As of December 31, 2008, we had cash and cash equivalents of $625.0 million and a $347.8 million current liability attributable to customer advances related to cash deposits received under our forward pricing program. As of December 31, 2007, we had cash and cash equivalents of $366.5 million, short-term investments of $494.5 million and a $305.8 million current liability attributable to customer advances.

Investments in Auction Rate Securities

We hold investments in available-for-sale high-grade tax-exempt auction rate securities. Auction rate securities are primarily debt instruments with long-term maturities for which interest rates are expected to be reset periodically through an auction process, which typically occurs every 7 to 35 days.

As of December 31, 2008, our investments in auction rate securities were reported at their fair value of $177.8 million, after reflecting a $20.8 million unrealized holding loss against a par value of $198.6 million. These securities were all supported by student loans that were originated primarily under the Federal Family Education Loan Program. The underlying securities have stated maturities that range from less than one year to 39 years, with the majority of them being in the 20 to 30 year range and are guaranteed by entities affiliated with government entities.

At December 31, 2007, our investments in auction rate securities totaled $494.5 million, comprised of securities supported by municipal bonds and securities supported by student loans.

In February 2008, the market for auction rate securities began to show signs of illiquidity. Shortly thereafter, liquidity left the market and auctions began to fail. A failed auction occurs when there are insufficient bids for the number of instruments being offered. Upon a failed auction, the then holders of those instruments continue to hold them and each instrument begins to carry an interest rate based upon a certain predefined formula for that particular security. Subsequent to the market slowdown for these securities, $69.9 million of our auction rate securities had been either redeemed by the issuers or sold at par value in 2008, including all of our auction rate securities that were supported by municipal bonds.

CF INDUSTRIES HOLDINGS, INC.

Because auctions have continued to fail, we no longer consider our auction rate securities to be liquid investments. We are not able to access these funds until such time as auctions for the securities succeed once again, buyers are found outside the auction process, and/or the securities are redeemed by the issuers. In accordance with our policies, we review the underlying securities and assess the creditworthiness of these securities as part of our investment process. In each case, our reviews have continued to find these investments to be investment grade.

Due to the illiquidity in the credit markets and the failed auctions that started in February 2008, market valuations are no longer observable and we have classified these investments as Level 3 securities (those measured using significant unobservable inputs) under the provisions of Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements*. As disclosed in Note 5 to our consolidated financial statements, SFAS No. 157 requires supplemental disclosures regarding assets that are measured at fair value on a recurring basis. These investments in auction rate securities represent approximately 82% of the group of assets that are measured at fair value on a recurring basis.

We completed a valuation of these investments at December 31, 2008. The valuation of these securities utilizes a mark-to-model approach that relies on discounted cash flows, market data and inputs derived from similar instruments. These models take into account, among other variables, base interest rates, credit spreads, downgrade risks, default/recovery risk, the estimated time required to work out the disruption in the traditional auction process and its effect on liquidity, and the effects of insurance and other credit enhancements. Based on this valuation, we reflected a $20.8 million pre-tax unrealized holding loss against the historical cost basis of these investments at December 31, 2008. The unrealized holding loss has been reported in other comprehensive income and the impact of the unrealized holding loss is included in the net $177.8 million investment balance in auction rate securities. At December 31, 2008, these investments have been classified as noncurrent on our consolidated balance sheet, based on market conditions and our judgment regarding the period of time that may elapse until the traditional auction process resumes, or other effective market trading mechanisms develop.

The model we used to value our auction rate securities uses discounted cash flow calculations as one of the significant inputs to the ultimate determination of value. The base interest rates assumed for the required rates of return are key components of the calculation of discounted cash flows. If the required rate of return we used in the calculation model was 100 basis points lower, the resulting holding loss would have been approximately $10 million greater. We may need to recognize either additional holding gains or losses in other comprehensive income or holding losses in net earnings should changes occur in either the conditions in the credit markets or in the variables considered in our valuation model.

We believe that ultimately we will recover the historical cost for these instruments as we presently intend to hold these securities until market liquidity returns either through resumption of the auction process or otherwise. We do not believe the current market liquidity issues regarding these securities present any operating liquidity issues for us. Our cash, cash equivalents, operating cash flow and credit available under our credit facility are adequate to fund our cash requirements for the foreseeable future.

Debt

Notes payable, representing amounts owed by CFL to its minority interest holder with respect to advances, were $4.1 million as of December 31, 2008 and $4.9 million as of December 31, 2007. There were no outstanding borrowings under our $250 million credit facility as of December 31, 2008 or December 31, 2007.

CF INDUSTRIES HOLDINGS, INC.

Our $250 million credit facility, as amended on September 7, 2005 and July 31, 2007, is scheduled to be available until July 31, 2012 and bears interest at a variable rate. This facility is secured by working capital, certain equipment and the Donaldsonville nitrogen fertilizer complex. Our investment in and advances to Keytrade have been pledged as security under our credit facility. The credit facility provides up to $250 million, subject to a borrowing base, for working capital and general corporate purposes, including up to $50 million for the issuance of letters of credit. The borrowing base may be reduced by reserves, such as unrealized losses with derivative counterparties who are members of the bank group participating in the facility. As of December 31, 2008 and 2007, we had $220.5 million and $219.8 million, respectively, available under our credit facility. See Note 23 to our audited consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for additional information concerning this credit facility.

Investment in Keytrade

Keytrade is a reseller of fertilizer products that it purchases from various manufacturers around the world and resells in approximately 50 countries through a network of seven offices. In October 2007, we purchased 50% of the common shares of Keytrade, for $25.9 million and advanced an additional $13.7 million in the form of subordinated financing and preferred stock. The subordinated financing is in the form of notes that mature September 30, 2017 and bear interest at LIBOR plus 1.00%. In the fourth quarter of 2008, these notes were re-denominated into U.S. dollars from their previous basis of Swiss francs. Under the terms of a commercial agreement we executed with Keytrade concurrent with our investment, we utilize Keytrade as our exclusive exporter of phosphate fertilizer products from North America and as our exclusive importer of UAN products into North America. We terminated our previous membership in PhosChem and no longer utilize them to export phosphate fertilizers. We account for Keytrade as an equity method investment. See Note 18 to our audited consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for additional information concerning the Keytrade investment.

Capital Spending

Capital expenditures are made to sustain our asset base, to increase our capacity, to improve plant efficiency and to comply with various environmental, health and safety requirements. Of the $36.7 million increase in capital expenditures in 2008 as compared to 2007, approximately $43.7 million related to plant and equipment expenditures offset by a reduction of expenditures of $7.0 million in plant turnaround activity during 2008. We expect to spend approximately $200 million to $300 million on routine capital expenditures in 2009. This amount also includes approximately $28 million for capital expenditures at CFL, of which we are obligated to fund 66%.

Forward Pricing Program (FPP)

We use our FPP to reduce margin risk created by the volatility of fertilizer prices and natural gas costs. Through the program, we offer our customers the opportunity to purchase product on a forward basis at prices and on delivery dates we propose. As our customers enter into forward nitrogen fertilizer purchase contracts with us, we generally lock in a substantial portion of the margin on these sales mainly by using natural gas derivative instruments and fixed price purchase contracts to hedge against price changes for natural gas that will be purchased in the future. Natural gas is the largest and most volatile component of our manufacturing cost for nitrogen-based fertilizers. As a result of using derivative instruments to hedge against movements of future prices of natural gas, volatility in reported quarterly earnings can result from the unrealized mark-to-market adjustments in the value of the derivatives. Unlike our nitrogen fertilizer products for which we effectively fix the cost of natural gas, we typically are unable to fix the cost of phosphate raw materials, such as sulfur and ammonia, which

are among the largest components of our phosphate costs. As a result, we typically are exposed to margin risk on phosphate products sold on a forward basis.

A significant portion of the sales proceeds from FPP orders generally are collected in advance of shipment, thereby reducing or eliminating the accounts receivable related to such sales. As of December 31, 2008 and December 31, 2007, we had approximately $347.8 million and $305.8 million, respectively, in customer advances on our consolidated balance sheet. As of December 31, 2008 and December 31, 2007, we had approximately 1.4 million tons and 3.0 million tons, respectively, of nitrogen and phosphate product committed to be sold under the FPP. Most of this product was scheduled to ship within the next six months.

While customer advances were a significant source of liquidity in both 2008 and 2007, the level of sales under the FPP is affected by many factors including current market conditions and our customers' perceptions of future market fundamentals. The lower level of sales on order as of December 31, 2008 compared to December 31, 2007 may reflect our customers' expectations concerning the current fertilizer pricing environment and future expectations regarding pricing and availability of supply. Under the FPP, a customer may delay delivery of an order due to weather conditions or other factors. These delayed shipments are subject to charges to the customer for storage. Such a delay in scheduled shipment or termination of an FPP contract due to a customer's inability or unwillingness to perform may negatively impact our reported results and financial position or liquidity. If the level of sales under the FPP were to decrease in the future, our cash received from customer advances would likely decrease, and our accounts receivable balances would likely increase. Also, borrowing under our senior secured revolving credit facility could become necessary. Due to the volatility inherent in our business and changing customer expectations, we cannot estimate the amount of future FPP sales activity.

Natural Gas Derivatives

We use natural gas derivative instruments primarily to lock in a substantial portion of our margin on sales under the forward pricing program. Our natural gas acquisition policy also allows us to establish derivative positions that are associated with anticipated natural gas requirements, unrelated to our forward pricing program.

Natural gas derivatives involve the risk of dealing with counterparties and their ability to meet the terms of the contracts. The counterparties to our natural gas derivatives are either large oil and gas companies or large financial institutions. Cash collateral is deposited with or received from counterparties when predetermined unrealized gain or loss thresholds are exceeded.

For derivatives that are in net asset positions, we are exposed to credit loss from nonperformance by the counterparties. We control our credit risk through the use of several counterparties and establishing credit limits, monitoring procedures, cash collateral requirements and master netting arrangements.

The master netting arrangements to our derivative instruments also contain credit risk related contingent features that require us to maintain a minimum net worth level and certain financial ratios. If we fail to meet these minimum requirements, the counterparties to derivative instruments that are in net liability positions could require daily settlement of unrealized losses or some other form of credit support.

As of December 31, 2008, the aggregate fair value of the derivative instruments with credit risk related contingent features in a net liability position was $84.6 million for which we had $10.8 million of cash collateral on deposit with counterparties. This cash collateral is included within margin deposits in other current assets on our consolidated balance sheet. If we had failed to meet all credit risk contingent thresholds as of December 31, 2008, we could have been required to post up to an additional $73.8 million of collateral with derivative counterparties.

Table of Contents

Financial Assurance Requirements

In addition to various operational and environmental regulations related to our phosphate segment, we are subject to financial assurance requirements. Pursuant to the Florida regulations governing financial assurance related to the closure of phosphogypsum stacks, we established an escrow account to meet such future obligations. We made annual contributions of $6.2 million, $9.4 million and $11.1 million in February of 2008, February of 2007 and March of 2006, respectively, to this escrow account, which by rule is earmarked to cover the closure, long-term maintenance, and monitoring costs for our phosphogypsum stacks, as well as any costs incurred to manage the water contained in the stack system upon closure. In the first quarter of 2009, we expect to contribute another $7.5 million. Over the subsequent seven years, we expect to contribute between $3.0 million and $7.0 million annually based upon the required funding formula as defined in the regulations and an assumed rate of return of 2% on invested funds. The amount of money that will accumulate in the account by the year 2016, including interest earned on invested funds, is currently estimated to be approximately $77 million. After 2016, contributions to the account are estimated to average approximately $5.0 million annually for the following 17 years. The balance in the account is estimated to be approximately $210 million by 2033. The amounts recognized as expense in operations pertaining to our phosphogypsum stack closure and land reclamation are determined and accounted for on an accrual basis as described in Note 11 to our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data. These expense amounts are expected to differ from the anticipated contributions to the account, which are based on the guidelines set forth in the Florida regulations. Ultimately, the cash in this account will be used to settle the asset retirement obligations.

Florida regulations require mining companies to demonstrate financial responsibility for reclamation, wetland and other surface water mitigation measures in advance of any mining activities. We will also be required to demonstrate financial responsibility for reclamation and for wetland and other surface water mitigation measures, if and when we are able to expand our Hardee mining activities to areas not currently permitted. The demonstration of financial responsibility by mining companies in Florida may be provided by passing a financial test or by establishing a cash deposit arrangement. Based on these current regulations, we will have the option to demonstrate financial responsibility in Florida utilizing either of these methods.

Other Liquidity Requirements

During the fourth quarter of 2008, we repurchased 8.5 million shares of our common stock for approximately $500 million (at an average price of $58.96 per share) under a program authorized by our Board of Directors. As of December 31, 2008, these shares were retired reducing additional paid-in capital by approximately $124 million and reducing retained earnings by approximately $376 million.

We paid cash dividends of $22.0 million on outstanding common stock during 2008. This amount represents an annual rate equal to $0.40 per common share. In February of 2008, our Board of Directors approved an increase in the quarterly dividend from $0.02 to $0.10 per common share. We expect to pay quarterly dividends at such a rate for the foreseeable future. Under certain conditions, our $250 million credit facility limits our ability to pay dividends.

As a result of the credit crisis during the later part of 2008 and continuing into 2009, an investment manager for our U.S. pension plan began implementing restrictions on full withdrawals or transfers of assets from certain mutual funds due to the fact that certain securities within these funds were illiquid. Investors seeking to liquidate their positions fully would receive a portion of the redemption in cash, and the remainder in a pro-rata distribution of the individual illiquid securities. Investors are also required to provide more advanced notice of redemptions and the ultimate settlement of the redemption could be extended depending on available liquidity. As of December 31, 2008, the fair value of our consolidated pension assets was approximately $181.6 million, of which

Table of Contents

approximately $8.5 million were invested with this particular investment manager and are illiquid. These investments have been valued in accordance with SFAS No. 157 *Fair Value Measurements*. The liquidity limitations have not impacted the plan's ability to make pension benefit payments nor do we expect them to limit its ability to satisfy benefit payment obligations. We funded contributions to our U.S. and Canadian pension plans totaling $9.6 million in 2008. We expect to contribute approximately $16.0 million to our pension plans in 2009.

Cash Flows

Operating Activities

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net cash generated from operating activities in 2008 was $638.6 million compared to $690.1 million in 2007. The $51.5 million decrease in cash provided by operating activities in 2008 was due primarily to a $546.2 million decrease in cash generated by working capital changes offset by a $487.2 million increase in pre-tax earnings. The $546.2 million change in cash generated by working capital changes is the difference between the $392.4 million consumed in 2008 and the $153.8 million generated in 2007. During 2008, the cash consumed by working capital changes was due primarily to a $416.7 million increase in inventories. The increase in inventories reflects higher quantities held and higher per-unit manufacturing costs of ammonia and phosphate fertilizer at December 31, 2008. During the second half of 2008, we acquired approximately $147 million of potash fertilizer which remains in inventory. The $153.8 million of cash generated by working capital changes in 2007 arose from the $203.1 million increase in customer advances and the $31.3 million increase in accounts payable and accrued expenses, partially offset by a $53.6 million increase in inventories and a $28.5 million increase in accounts receivable. The increase in customer advances was due to an increase in the level of forward sales under our FPP and higher average contracted selling prices. Remaining unpaid amounts of customer advances are generally collected by the time the product is shipped. The increase in accounts payable and accrued expenses is due primarily to an increase in nitrogen fertilizer product purchases. The increase in inventories was due to increased prices for purchased product, higher manufacturing costs for phosphate products and higher quantities of both nitrogen and phosphate products held at December 31, 2007. The increase in accounts receivable was due primarily to the increase in amounts due from our minority interest partner.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net cash generated from operating activities in 2007 was $690.1 million compared to $203.6 million in 2006. The $486.5 million increase in cash provided by operating activities in 2007 was due primarily to a $339.4 million increase in net earnings and a $162.5 million increase in cash generated by working capital changes. The $162.5 million increase in cash generated by working capital changes is the difference between the $153.8 million generated in 2007 and the $8.7 million consumed in 2006. During 2007, the cash generated by the $203.1 million increase in customer advances and the $31.3 million increase in accounts payable and accrued expenses was partially offset by a $53.6 million increase in inventories and a $28.5 million increase in accounts receivable. The increase in customer advances was due to an increase in the level of forward sales under our FPP and higher average contracted selling prices. The increase in accounts payable and accrued expenses is due primarily to an increase in nitrogen fertilizer product purchases. The increase in inventories was due to increased prices for purchased product, higher manufacturing costs for phosphate products and higher quantities of both nitrogen and phosphate products held at December 31, 2007. The increase in accounts receivable was due primarily to the increase in amounts due from our minority interest partner. The use of $8.7 million in cash in 2006 for working capital changes was due primarily to a $62.4 million increase in accounts receivable and a $28.9 million decrease in customer advances, partially offset by a

$51.6 million decrease in inventories and a $17.1 million decrease in margin deposits. The increase in accounts receivable was due primarily to higher volume shipped under normal commercial terms. The decrease in customer advances was due primarily to changes in the product mix of outstanding orders and lower average contract prices. The decrease in inventories reflects lower per-unit nitrogen fertilizer manufacturing cost and lower quantities of phosphate fertilizers held at December 31, 2006. The decrease in margin deposits was due primarily to lower margin requirements.

Investing Activities

Years Ended December 31, 2008, 2007 and 2006

Net cash provided by investing activities was $159.5 million in 2008 compared to $343.1 million net cash used in investing activities in 2007. The $502.6 million increase in cash provided by investing activities in 2008 was due primarily to net sales of investments of $295.9 million during 2008 as compared to $194.3 million of net purchases during 2007, resulting from our decision to discontinue investing in auction rate securities. The proceeds from the sales of our investments in securities in 2008 were generally invested in cash equivalents. See the "Liquidity and Capital Resources" section of this discussion and analysis for additional information concerning these investments. The $151.8 million increase in cash used in investing activities in 2007 from 2006, was due primarily to net purchases of short-term investments of $194.3 million during 2007 compared to $120.9 million of net purchases during 2006, resulting from increased cash available for investment net of other investing activities. Additions to property, plant and equipment accounted for $141.8 million, $105.1 million, and $59.6 million of cash used in investing activities in 2008, 2007 and 2006, respectively. The increase in additions to property, plant and equipment in 2008 as compared to 2007 included a $43.7 million increase in capital projects offset by a $7.0 million decrease in plant turnaround-related expenditures. The increase in additions to property, plant and equipment in 2007 was due primarily to a $23.9 million increase in capital projects as well as a $22.0 million increase in plant turnaround-related expenditures. As previously discussed, we made annual contributions of $6.2 million in February of 2008, $9.4 million in February of 2007 and $11.1 million in March of 2006 to our asset retirement obligation escrow account. The balance in this account is reported at fair value on our consolidated balance sheets. In 2007, investments in and advances to unconsolidated affiliates of $39.6 million represented our investment in Keytrade and funding of related subordinated debt.

Financing Activities

Years Ended December 31, 2008, 2007 and 2006

Net cash used in financing activities was $540.5 million, $4.9 million and $23.3 million in 2008, 2007 and 2006, respectively. The $535.6 million increase in cash used in financing activities in 2008 compared to 2007 was due primarily to the repurchase of our common stock of $500.2 million in the fourth quarter of 2008 as previously discussed. In addition, dividends paid on common stock increased $17.5 million due to an increase of the quarterly dividend to $0.10 per common share from $0.02 per common share. During 2008, we received $10.1 million of proceeds from stock options exercised under the 2005 Equity and Incentive Plan. Distributions to minority interest increased $22.7 million to $52.7 million in 2008 from $30.0 million in 2007 due to CFL's improved 2007 net earnings (distributed in 2008). The $18.4 million decrease in cash used in financing activities in 2007 versus 2006 was due to the impact of activity related to stock-based compensation, partially offset by higher distributions to minority interest. We received $16.6 million of proceeds from stock options exercised under the 2005 Equity and Incentive Plan during 2007. Distributions to minority interest were higher in 2007 due to the improvement in CFL's 2006 net earnings (distributed in 2007) as compared to CFL's 2005 net earnings (distributed in 2006).

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Obligations

Contractual Obligations

The following is a summary of our contractual obligations as of December 31, 2008:

	Payments Due by Period						
	2009	2010	2011	2012	2013	After 2013	Total
	(in millions)						
Contractual Obligations							
Debt							
Long-term debt[1]	$	$	$	$	$	$	$
Notes payable[2]	4.1						4.1
Interest payments on long-term debt and notes payable[1]	0.1						0.1
Other Obligations							
Operating leases	33.2	27.2	11.4	7.3	4.5	11.3	94.9
Equipment purchases and plant improvements	60.2	20.5	12.2	2.5			95.4
Transportation[3]	80.7	40.8	16.6	17.2	15.7	207.1	378.1
Purchase obligations[4][5][6]	245.1	172.3	95.9	1.7	0.9	3.0	518.9
Keytrade commerical agreement[7]	2.8	2.8	2.8	2.1			10.5
Contributions to pension plans[8]	16.0						16.0
Total[9]	$ 442.2	$ 263.6	$ 138.9	$ 30.8	$ 21.1	$ 221.4	$ 1,118.0

---

(1) Based on debt balances and interest rates as of December 31, 2008.

(2) Represents notes payable to the CFL minority interest holder. While the entire principal amount is due December 31, 2009, CFL may prepay all or a portion of the principal at its sole option.

(3) Includes anticipated expenditures under certain requirements contracts to transport raw materials and finished product between our facilities. The majority of these arrangements allow for reductions in usage based on our actual operating rates. Amounts set forth above are based on projected normal operating rates and contracted or current spot prices, where applicable, as of December 31, 2008 and actual operating rates and prices may differ.

(4) Includes minimum commitments to purchase natural gas based on prevailing NYMEX and AECO forward prices at December 31, 2008. Also includes minimum commitments to purchase ammonia and urea for resale and commitments to purchase ammonia and sulfur for use in phosphate fertilizer production. The amounts set forth above for these commitments are based on spot prices as of December 31, 2008 and actual prices may differ.

(5) Liquid markets exist for the possible resale of the natural gas, ammonia and urea purchased for resale and ammonia and sulfur purchased for use in phosphate fertilizer production under most of these commitments, but gains or losses could be incurred on resale.

(6) Purchase obligations do not include any amounts related to our financial hedges (i.e. swaps) associated with natural gas purchases.

(7)

Represents the minimum contractual commitment to Keytrade for handling UAN import and phosphate export transactions per the terms of a commercial agreement we have with Keytrade.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

(8) Represents the contributions we expect to make to our pension plans in 2009. Our pension funding policy is to contribute amounts sufficient to meet minimum legal funding requirements plus discretionary amounts that we may deem to be appropriate.

(9) Excludes $74.6 million of unrecognized tax benefits due to the uncertainty in the timing of payments, if any, on these items. See Note 12 to our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for further discussion of these unrecognized tax benefits.

Other Long-Term Obligations

As of December 31, 2008, our other liabilities included balances related to asset retirement obligations (AROs) and environmental remediation liabilities. The estimated timing and amount of cash outflows associated with these liabilities are as follows:

	Payments Due by Period						
	2009	2010	2011	2012	2013	After 2013	Total
	(in millions)						
Other Long-Term Obligations							
Asset retirement obligations[1][2]	$ 11.3	$ 9.5	$ 4.9	$ 6.9	$ 4.4	$ 634.0	$ 671.0
Environmental remediation liabilities	0.4	0.4	0.4	0.4	0.4	4.7	6.7
Total	$ 11.7	$ 9.9	$ 5.3	$ 7.3	$ 4.8	$ 638.7	$ 677.7

---

(1) Represents the undiscounted, inflation-adjusted estimated cash outflows required to settle the recorded AROs. The corresponding present value of these future expenditures is $100.7 million as of December 31, 2008.

We also have unrecorded AROs at our Donaldsonville, Louisiana nitrogen complex, at CFL's Medicine Hat facility and at our distribution and storage facilities that are conditional upon cessation of operations. These AROs include certain decommissioning activities as well as the removal and disposition of certain chemicals, waste materials, structures, equipment, vessels, piping and storage tanks. Also included is reclamation of land and, in the case of Donaldsonville, reclamation of two effluent ponds. The most recent estimate of the aggregate cost of these AROs expressed in 2008 dollars is approximately $20 million. Currently, we do not believe there is a reasonable basis for estimating a date or range of dates of cessation of operations at these facilities. Therefore, the table above does not contain any cash flows for these AROs. See Note 11 to our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for further discussion of our AROs. As described in "Financial Assurance Requirements," we intend to set aside cash on an annual basis in an escrow account established to cover costs associated with closure of our phosphogypsum stack systems. This account will be the source of a significant portion of the cash required to settle the AROs pertaining to the phosphogypsum stack systems.

(2) Cash flows occurring after 2013 are detailed in the following table.

The following table details the undiscounted, inflation-adjusted estimated cash flows after 2013 required to settle the recorded AROs, as discussed above.

Payments Due by Period						
2014 192020	29 2030	39	2040 49	2050 59	After 2059	Total

				(in millions)			
Asset retirement obligations after 2013	$ 31.4	$ 38.2	$216.0	$ 72.0	$ 58.8	$217.6	$634.0

59

CF INDUSTRIES HOLDINGS, INC.

Subsequent Events

On January 15, 2009, we announced that we had made a proposal to Terra Industries Inc. (Terra) to acquire all of Terra's outstanding common stock at a fixed exchange ratio of 0.4235 shares of CF Holdings common stock for each share of Terra common stock. On January 28, 2009, Terra announced that its Board of Directors had rejected the proposal. On February 3, 2009, we delivered a notice to Terra, in accordance with Terra's bylaws, nominating three individuals for election as Terra directors at Terra's 2009 annual meeting of stockholders. Also on February 3, 2009, we issued a press release in connection with this notice and announced our intention to commence an exchange offer for all of Terra's outstanding common stock at the exchange ratio set forth in our proposal. On February 23, 2009, we filed a registration statement on Form S-4 and related documents with the SEC and commenced the exchange offer. The exchange offer is conditioned upon, among other things, CF Holdings entering into a merger agreement with Terra, Terra stockholders tendering in the offer at least a majority of Terra's outstanding common stock on a fully-diluted basis, the approval by our stockholders of the issuance of our common stock in the transaction and the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

On February 25, 2009, Agrium Inc. (Agrium) announced that it had made a proposal to our Board of Directors to acquire all of our outstanding common stock in a cash-and-stock transaction. The offer is conditioned upon, among other things, the termination of our above described offer to acquire Terra, the negotiation of a definitive merger agreement between Agrium and us, approval by our Board of Directors and shareholders, and necessary regulatory approvals. On February 25, 2009, we announced that our Board of Directors will evaluate the proposal carefully and respond to Agrium's proposal in due course.

Off-Balance Sheet Arrangements

We have operating leases for certain property and equipment under various noncancelable agreements, the most significant of which are rail car leases and barge tow charters for the transportation of fertilizer, and a corporate office lease. The rail car leases currently have minimum terms ranging from one to seven years and the barge charter commitments currently have terms ranging from one to three years. We also have terminal and warehouse storage agreements at several of our distribution locations, some of which contain minimum throughput requirements. The storage agreements contain minimum terms ranging from one to three years and commonly contain automatic annual renewal provisions thereafter unless canceled by either party.

In 2006, we entered into a ten-year operating lease agreement for a new corporate headquarters located in Deerfield, Illinois. The corporate office lease agreement includes leasehold incentives, rent holidays and scheduled rent increases that are expensed on a straight-line basis in accordance with SFAS No. 13 *Accounting for Leases.* Our other operating lease agreements do not contain significant contingent rents, leasehold incentives, rent holidays, scheduled rent increases, concessions or unusual provisions. See Note 24 to our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for additional information concerning leases.

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

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition, results of operations, liquidity and capital resources is based upon our consolidated financial statements, which have been prepared in accordance

with United States generally accepted accounting principles, or GAAP. GAAP requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience, technological assessment, opinions of appropriate outside experts, and the most recent information available to us. Actual results may differ from these estimates. Changes in estimates that may have a material impact on our results are discussed in the context of the underlying financial statements to which they relate. The following discussion presents information about our most critical accounting policies and estimates.

Revenue Recognition

We recognize revenue when title and risk of loss is transferred to the customer, which can be at the plant gate, a distribution facility, a supplier location or a customer destination. In some cases, application of this policy requires that we make certain assumptions or estimates regarding a component of revenue, discounts and allowances, rebates, or creditworthiness of some of our customers. We base our estimates on historical experience, and the most recent information available to us, which can change as market conditions change. Amounts related to shipping and handling that are billed to our customers in sales transactions are classified as sales in our consolidated statement of operations.

Assets Held for Sale

In 2006, we decided to sell our corporate office facility in Long Grove, Illinois and in 2007 we relocated our corporate headquarters to Deerfield, Illinois. As of December 31, 2007, the net book value of the Long Grove building and related land ($6.7 million) was classified as assets held for sale. The Long Grove facility consisted of an office building and a parcel of excess land. In the first quarter of 2008, due to a decline in the real estate market and a deteriorating credit market, negotiations with potential buyers of the building stalled, and we no longer considered it probable that it would be sold within one year. As a result, as of March 31, 2008, we reclassified the carrying value of the building ($6.1 million) back to property, plant and equipment and recognized $0.4 million in the first quarter of 2008 for the associated depreciation for the period of time it was classified as held for sale and reinitiated depreciation. We sold the excess land in July of 2008 and we recognized a pre-tax gain of approximately $4.3 million in the third quarter of 2008. See Note 16 to our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for additional information concerning these assets.

Useful Lives of Depreciable Assets

Property, plant and equipment is stated at historical cost and depreciation is computed using either the straight-line method or the units-of-production (UOP) method over the lives of the assets. The lives used in computing depreciation expense are based on estimates of the period over which the assets will be of economic benefit to us. Estimated lives are based on historical experience, manufacturers' estimates, engineering or appraisal estimates and future business plans. We review the depreciable lives assigned to our property, plant and equipment on a periodic basis, and change our estimates to reflect the results of those reviews.

Scheduled inspections, replacements and overhauls of plant machinery and equipment at our continuous process manufacturing facilities are referred to as plant turnarounds. Expenditures related to turnarounds are capitalized into property, plant and equipment when incurred and amortized to production costs on a straight-line basis over the period benefited, which is generally until the next scheduled turnaround in up to 5 years.

At the end of 2006, we completed a comprehensive review of the depreciable lives of our production facilities and related assets, as well as estimated production capacities used to develop our UOP depreciation expense. As a result of this review, we increased the depreciable lives of certain assets at our nitrogen production facilities. Separately, we revised the estimates of production capacities for certain UOP assets. As a result of these changes, depreciation expense was reduced by $11.5 million for 2007.

CF INDUSTRIES HOLDINGS, INC.

Inventory Valuation

We review our inventory balances at least quarterly, and more frequently if required by market conditions, to determine if the carrying amount of inventories exceeds their net realizable value. This review process incorporates current industry and customer-specific trends, current operating plans, historical price activity, and selling prices expected to be realized. If the carrying amount of our inventory exceeds its estimated net realizable value, we immediately adjust our carrying values accordingly. Upon inventory liquidation, if the actual sales prices ultimately realized are less than our initial estimate of net realizable value, additional losses would be recorded in the period of liquidation.

Asset Retirement Obligations and Environmental Remediation Liabilities

Costs associated with the closure of our phosphogypsum stack systems at the Bartow and Plant City, Florida phosphate fertilizer complexes and costs associated with land reclamation activities at our Hardee, Florida phosphate rock mine are accounted for in accordance with SFAS No. 143 *Accounting for Asset Retirement Obligations*. If the cost of closure can be reasonably estimated, asset retirement obligations (AROs) are recognized in the period in which the related assets are put into service. Costs associated with the cessation of operations at all of our facilities are accounted for in accordance with FIN No. 47 *Accounting for Conditional Asset Retirement Obligations*. This interpretation requires us to recognize an ARO for costs associated with the cessation of operations at our facilities at the time those obligations are imposed, even if the timing and manner of settlement are difficult to ascertain. The obligations related to closure, reclamation and cessation of operations are capitalized at their present value and a corresponding asset retirement liability is recorded. The liability is adjusted in subsequent periods through accretion expense. Accretion expense represents the increase in the present value of the liability due to the passage of time. The asset retirement costs capitalized as part of the carrying amount of the related asset are depreciated over their estimated useful life. The aggregate carrying value of all of our AROs was $100.7 million as of December 31, 2008 and $89.4 million as of December 31, 2007. The increase in the aggregate carrying value of these AROs is due to recording changes in estimates and normal accretion expense offset by cash expenditures on existing AROs as previously discussed.

Environmental remediation liabilities are recognized when the related costs are considered probable and can be reasonably estimated consistent with the requirements of SFAS No. 5 *Accounting for Contingencies*. Estimates of these costs are based upon currently available facts, existing technology, site-specific costs and currently enacted laws and regulations. In reporting environmental liabilities, no offset is made for potential recoveries. All liabilities are monitored and adjusted as new facts or changes in law or technology occur. In accordance with GAAP, environmental expenditures are capitalized when such costs provide future economic benefits. Changes in laws, regulations or assumptions used in estimating these costs could have a material impact on our financial statements. The amount recorded for environmental remediation liabilities totaled $6.7 million as of December 31, 2008 and $8.1 million as of December 31, 2007.

The actual amounts to be spent on AROs and environmental remediation liabilities will depend on factors such as the timing of activities, refinements in scope, technological developments and cost inflation, as well as present and future environmental laws and regulations. The estimates of amounts to be spent are subject to considerable uncertainty and long timeframes. Changes in these estimates could have a material impact on our results of operations and financial position.

Recoverability of Long-Lived Assets and Investments in Unconsolidated Subsidiaries

We review the carrying values of our property, plant and equipment, as well as other long-lived assets on a regular basis in accordance with SFAS No. 144 *Accounting for the Impairment or Disposal*

CF INDUSTRIES HOLDINGS, INC.

of Long-Lived Assets. We also review the carrying value of our investments in unconsolidated subsidiaries on a regular basis in accordance with Accounting Principles Board Opinion No. 18 *The Equity Method of Accounting for Investments in Common Stock*. If impairment of an asset or investment has occurred, an impairment charge is recognized immediately. Factors that we must estimate when performing impairment tests include sales volume, prices, inflation, discount rates, exchange rates, tax rates and capital spending. Significant judgment is involved in estimating each of these factors, which include inherent uncertainties. The recoverability of the values associated with our long-lived assets and investments in unconsolidated subsidiaries is dependent upon future operating performance of the specific businesses to which they are attributed. Certain of the operating assumptions are particularly sensitive to the cyclical nature of the fertilizer business.

Fair Value Measurements

We adopted SFAS No. 157 *Fair Value Measurements* as of January 1, 2008. As of December 31, 2008 we also considered the guidance in Financial Accounting Standards Board Staff Position (FSP) No. 157-3 *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* in determining the fair value of our investments in auction rate securities. We have classified our investments in auction rate securities as Level 3 securities (those measured using significant unobservable inputs) under the provisions of SFAS No. 157. See the "Liquidity and Capital Resources" section of this discussion and analysis for detailed information concerning the critical accounting estimates involved in valuing and classifying these investments. No other assets or liabilities are classified as Level 3 items in our consolidated balance sheet as of December 31, 2008. See Note 5 to our consolidated financial statements included in this Form 10-K for additional information concerning fair value measurements.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are projected to be recovered or settled. Realization of deferred tax assets is dependent on our ability to generate sufficient taxable income of an appropriate character in future periods. A valuation allowance is established if it is determined to be more likely than not that a deferred tax asset will not be realized. Interest and penalties related to unrecognized tax benefits are reported as interest expense and non-operating net, respectively.

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

In the third quarter of 2008, we took tax positions utilizing a portion of the NOLs, resulting in an increase in our unrecognized tax benefits. See Note 12 to our consolidated financial statements included in this form 10-K for additional discussion concerning NOLs and the NOL agreement.

Pension Assets and Liabilities

Pension assets and liabilities are affected by the market value of plan assets, estimates of the expected return on plan assets, plan design, actuarial estimates and discount rates. Actual changes in the fair market value of plan assets and differences between the actual return on plan assets and the expected return on plan assets affect the amount of pension expense ultimately recognized. Our

projected benefit obligation (PBO) related to our qualified pension plans was $247.2 million at December 31, 2008, which was $65.6 million higher than pension plan assets. The December 31, 2008 PBO was computed based on a 6.50% discount rate, which was based on yields for high-quality (Aa rated or better) fixed income debt securities that match the timing and amounts of expected benefit payments as of the measurement date of December 31. Declines in comparable bond yields would increase our PBO. If the discount rate used to compute the PBO was lower by 50 basis points, our PBO would have been $16.9 million higher than the amount previously discussed. Conversely, if the discount rate used to compute the PBO was higher by 50 basis points, our PBO would have been $15.2 million lower. The discount rate used to calculate pension expense in 2008 was 6.00%. If the discount rate used to compute 2008 pension expense was lower by 50 basis points, the expense would have been approximately $1.7 million higher than the amount calculated. Conversely, if the discount rate used to compute 2008 pension expense was higher by 50 basis points, the expense would have been approximately $0.8 million lower than the amount calculated. Our net benefit obligation, after deduction of plan assets, could increase or decrease depending on the extent to which returns on pension plan assets are lower or higher than the discount rate. The 7.3% expected long-term rate of return on assets is based on studies of actual rates of return achieved by equity and non-equity investments, both separately and in combination over historical holding periods. If the expected long-term rate of return on assets was higher by 50 basis points, pension expense for 2008 would have been $1.1 million lower. Conversely, if the expected long-term rate of return on assets was lower by 50 basis points, pension expense for 2008 would have been $1.1 million higher. See Note 7 to our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for further discussion of our pension plans.

Retiree Medical Benefits

Retiree medical benefits are determined on an actuarial basis and are affected by assumptions, including discount rates used to compute the present value of the future obligations and expected increases in health care costs. Changes in the discount rate and differences between actual and expected health care costs affect the recorded amount of retiree medical benefits expense.

Stock-Based Compensation

Costs associated with stock-based compensation are accounted for in accordance with SFAS No. 123R *Share-Based Payment* (SFAS 123R), which requires us to recognize in our consolidated statement of operations the grant date fair value of all stock-based awards over the service period. The fair value of nonqualified stock options granted is estimated on the date of the grant using the Black-Scholes option valuation model. Key assumptions used in the Black-Scholes option valuation model include expected volatility and expected term. The weighted-average expected volatility used to value the stock options granted in 2008 was 58%. If the expected volatility was 2% higher or lower, the fair value of the stock options would have been approximately 2.6% higher or lower, respectively. The expected term of the stock options granted in 2008 was five years. If the expected term was six months higher or lower, the fair value of the stock options would have been approximately 4.3% higher or lower, respectively. The basis for determining these assumptions may change as more experience is obtained with our own historical stock prices and employees' option exercise behavior.

We accrue the cost of stock-based awards on the straight-line method over the applicable vesting period. As a result, total compensation cost recognized for 2008 on a pre-tax basis was $8.3 million. As of December 31, 2008, on a pre-tax basis there was approximately $8.1 million and $3.5 million of total unrecognized compensation cost related to nonqualified options and restricted stock which is expected to be recognized over a weighted-average period of 2.3 and 2.1 years, respectively. See Note 28 to our

consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, for further discussion of stock-based compensation.

Consolidation

We consolidate all entities that we control by ownership of a majority interest as well as variable interest entities for which we are the primary beneficiary. Our judgment in determining whether we are the primary beneficiary of the variable interest entities includes assessing our level of involvement in setting up the entity, determining whether the activities of the entity are substantially conducted on our behalf, determining whether we provide more than half the subordinated financial support to the entity, and determining whether we absorb the majority of the entity's expected losses or returns.

We use the equity method to account for investments for which we have the ability to exercise significant influence over operating and financial policies. Our consolidated net earnings include our share of the net earnings of these companies. Our judgment regarding the level of influence over our equity method investment includes considering key factors such as ownership interest, representation on the board of directors, participation in policy decisions and material intercompany transactions.

We eliminate from our consolidated financial results all significant intercompany transactions.

Recent Accounting Pronouncements

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

Recently Adopted Pronouncements

Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements*, and Financial Accounting Standards Board (FASB) Staff Position (FSP) No. FAS 157-2 *Effective Date of FASB Statement No. 157.* SFAS No. 157 does not require any new fair value measurements, but does define fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FSP No. FAS 157-2 delays for one year the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities measured at fair value on a nonrecurring basis. The deferral is intended to allow the FASB and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of SFAS No. 157. As of January 1, 2008, we adopted SFAS No. 157 and the one year partial deferral guidance in FSP No. FAS 157-2. For additional information, see Note 5 Fair Value Measurements to our consolidated financial statements.

FSP No. FAS 157-3 *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. This FSP clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The adoption of this guidance in 2008 did not have a material impact on our consolidated financial statements. For additional information, see Note 5 Fair Value Measurements to our consolidated financial statements.

FSP No. FAS 140-4 and FIN 46(R)-8 *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. This FSP expands the disclosure requirements of SFAS No. 140 and FASB Interpretation (FIN) No. 46(R). With respect to FIN No. 46(R), public enterprises must provide an understanding of significant judgments and assumptions made by a company in determining whether it must consolidate a variable interest

Table of Contents

entity (VIE) and disclose information about its involvement with a VIE. In addition, disclosures are required regarding the nature of restrictions on a consolidated VIE's assets as well as the carrying amounts of such assets, the nature of the risks associated with the involvement with a VIE and how a company's involvement with a VIE affects a company's financial position, financial performance and cash flows. We adopted FSP No. FAS 140-4 and FIN 46(R)-8 as of December 31, 2008. The additional SFAS No. 140 disclosure requirements did not impact us, however, the additional FIN 46(R) disclosures are provided in Note 4 Canadian Fertilizers Limited to our consolidated financial statements.

Recently Issued Pronouncements

SFAS No. 141 (Revised 2007) *Business Combinations.* This Statement applies to business combinations other than joint ventures, asset acquisitions, businesses under common control and not-for-profit organizations. It requires the acquirer to recognize the assets acquired, the liabilities assumed, contractual contingencies, and contingent consideration at their fair values as of the acquisition date. This Statement also requires acquisition costs to be expensed as incurred, restructuring costs to be expensed in the period subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date to impact tax expense. This Statement also requires the acquirer in an acquisition implemented in stages to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. This Statement is effective for business combinations with an acquisition date after December 31, 2008.

SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin (ARB) No. 51.* This Statement establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. The Statement clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this Statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. The Statement also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The Statement is effective for the Company beginning January 1, 2009. Upon adoption of SFAS No. 160, the presentation and reporting of the minority interest related to Canadian Fertilizers Limited will change to reflect the new requirements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

FSP No. EITF 03-6-1 *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. This FSP applies to the calculation of earnings per share (EPS) under SFAS No. 128 for share based payment awards with rights to dividends or dividend equivalents. Upon adoption of this FSP, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and are included in the computation of EPS pursuant to the two-class method. This FSP is effective for the Company in the first quarter of 2009 with retrospective adjustment to previously reported EPS for comparative purposes. The impact of adoption of this FSP on historical EPS is summarized below.

	Year ended December 31					
	2008		2007		2006	
	As Reported	Pro forma[(1)]	As Reported	Pro forma[(1)]	As Reported	Pro forma[(1)]
	(in millions, except per share amounts)					
Weighted average shares outstanding						
Basic	55.3	55.4	55.5	55.7	55.0	55.1
Diluted	56.4	56.4	56.7	56.8	55.1	55.1
Earnings per common share						
Basic	$ 12.39	$ 12.35	$ 6.71	$ 6.70	$ 0.60	$ 0.60
Diluted	$ 12.15	$ 12.13	$ 6.57	$ 6.56	$ 0.60	$ 0.60

(1) Reflects the retrospective adjustment for adoption of FSP No. EITF 03-6-1 that will be effective for us in the first quarter of 2009.

EITF Issue No. 08-6 *Equity Method Investment Accounting Considerations.* This EITF Issue applies to all investments accounted for under the equity method and clarifies the accounting for the initial measurement, impairment and changes in ownership interests for such investments. EITF 08-6 should be applied on a prospective basis for fiscal years beginning on or after December 15, 2008. We do not expect this EITF Issue to have a significant impact on our consolidated financial statements, but it will need to be considered for applicable transactions and impairments occurring after December 31, 2008.

Forward Pricing Program (FPP)

Our FPP seeks to reduce the risk inherent in the relationship between volatile fertilizer prices and natural gas costs for product that we manufacture. Our basic concept (when applied to nitrogen fertilizers) is to fix the price of our principal raw material, natural gas, coincident with the establishment of the fertilizer sales price, which often occurs months in advance of shipment. Customer advances, which typically represent a significant portion of the contract's sales value, are received shortly after the contract is executed, with any remaining unpaid amount generally being collected by the time the product is shipped. Any cash payments received in advance from customers in connection with the FPP are reflected on our balance sheet as a current liability until the related orders are shipped, which can take up to several months. As is the case for all of our sale transactions, revenue is recognized when title and risk of loss transfers upon shipment or delivery of the product to customers. We lock in a substantial portion of the margin on these sales mainly by effectively fixing the cost of natural gas, the largest and most volatile component of our manufacturing cost, using natural gas derivative instruments, or, in some cases, with a combination of inventory on hand and product purchases. Unlike our nitrogen fertilizer products for which we effectively fix the cost of natural gas, we typically are unable to fix the cost of phosphate raw materials, such as sulfur and ammonia, which are

Table of Contents

among the largest components of our phosphate costs. As a result, we typically are exposed to margin risk on phosphate products sold on a forward basis.

During 2008, 2007 and 2006, we sold approximately 5.6 million, 5.4 million and 3.0 million tons of fertilizer, representing approximately 71%, 60% and 36% of our sales volume, respectively, under the FPP. As of December 31, 2008 and December 31, 2007, we had approximately 1.4 million tons of product and 3.0 million tons of product, respectively, committed to be sold under this program. Most of these amounts were scheduled to ship within six months of December 31, 2008 and December 31, 2007, respectively.

As a result of fixing the selling prices of our products and a substantial portion of the cost to manufacture the nitrogen products under our FPP, often months in advance of their ultimate delivery to customers, our reported selling prices and margins may differ from market spot prices and margins available at the time of shipment.

Participation in the FPP is affected by market conditions and our customers' expectations. There can be no assurance that we will transact the same percentage of our business under the FPP in the future. Under the FPP, a customer may delay delivery of an order due to weather conditions or other factors. These delayed shipments are subject to charges to the customer for storage. Such a delay in scheduled shipment or termination of an FPP contract due to a customer's inability or unwillingness to perform may negatively impact our reported results and financial position. Should the level of participation decrease, there is a risk of increased volatility in the operating earnings of future periods.

Discussion of Seasonality Impacts on Operations

Our sales of fertilizers to agricultural customers are typically seasonal in nature. The strongest demand for our products occurs during the spring planting season, with a second period of strong demand following the fall harvest. We and/or our customers generally build inventories during the low demand periods of the year in order to ensure timely product availability during the peak sales seasons. Seasonality is greatest for ammonia due to the limited ability of our customers and their customers to store significant quantities of this product. The seasonality of fertilizer demand results in our sales volumes and net sales being the highest during the spring and our working capital requirements being the highest just prior to the start of the spring season. Our quarterly financial results can vary significantly from one year to the next due to weather-related shifts in planting schedules and purchasing patterns.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

Investments in Auction Rate Securities

As of December 31, 2008, we had $177.8 million of investments in auction rate securities consisting of available-for-sale tax exempt auction rate securities that were all supported by student loans that were originated primarily under the Federal Family Education Loan Program. Due to the illiquidity in the credit markets, auctions for these securities have failed. As a result, these investments are no longer liquid investments and we will not be able to access these funds until such time as auctions for these securities are successful, buyers are found outside of the auction process, and/or the securities are redeemed by the issuer. Further details regarding these securities are included in Notes 5 and 13 to the consolidated financial statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, both in this Form 10-K.

The valuation of these securities utilizes a mark-to-model approach that relies on discounted cash flows, market data and inputs that are derived from similar instruments. Based on this valuation, we reflected a $20.8 million pre-tax unrealized holding loss against the historical cost basis of these investments as of December 31, 2008. The unrealized holding loss has been reported in other comprehensive income and the impact of the unrealized holding loss is recorded in the net $177.8 million investment balance in auction rate securities. If the required rate of return we used in the calculation model was 100 basis points higher, the resulting holding loss would have been approximately $10 million higher. We may need to recognize either additional holding gains or losses in other comprehensive income or holding losses in net earnings should changes occur in either the conditions in the credit markets or in the variables considered in our valuation model.

Upon a failed auction, the instrument carries an interest rate based upon certain predefined formulas. A 100 basis point change in the average rate of interest earned on these investments would result in a $2.0 million change in pre-tax income on an annual basis.

Interest Rate Fluctuations

As of December 31, 2008, we had notes payable of approximately $4.1 million that had a floating interest rate. A 100 basis point change in interest rates on our notes payable, would result in a $40,000 change in pre-tax income on an annual basis. The senior secured revolving credit facility bears a current market rate of interest such that we are subject to interest rate risk on borrowings under this facility. As of December 31, 2008, there were no borrowings under this facility.

Our advances to unconsolidated affiliates consisted of floating rate subordinated debt owed to us by Keytrade totaling $12.4 million as of December 31, 2008. A 100 basis point change in interest rates on this subordinated debt would result in $124,000 change in pretax earnings on an annual basis.

Foreign Currency Exchange Rates

We are exposed to changes in the value of the Canadian dollar as a result of our 66% economic interest and our 49% common equity interest in CFL. We have made advances to CFL of $9.6 million Canadian Dollars. At the present time, we do not maintain any exchange rate derivatives or hedges related to CFL.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Commodity Prices

Our net sales, cash flows and estimates of future cash flows related to the nitrogen and phosphate sales not made under our forward pricing program are sensitive to changes in nitrogen and phosphate fertilizer prices as well as changes in the prices of natural gas and other raw materials. A $1.00 per MMBtu change in the price of natural gas would change the cost to produce a ton of ammonia, urea and UAN (28%) by approximately $33, $22 and $12, respectively.

We use natural gas in the manufacture of our nitrogen products. Because natural gas prices are volatile, our Natural Gas Acquisition Policy includes the objective of providing protection against significant adverse natural gas price movements. We manage the risk of changes in gas prices through the use of physical gas supply contracts and derivative financial instruments covering periods not exceeding three years.

The derivative instruments that we currently use are natural gas swap contracts. These contracts settle using NYMEX futures (for Donaldsonville) or AECO (for Medicine Hat) price indexes, which represent fair value at any given time. The contracts are traded in months forward and settlements are scheduled to coincide with anticipated gas purchases during those future periods.

We account for derivatives under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended by subsequent standards. Under these standards, derivatives are recognized in the consolidated balance sheet at fair value and changes in their fair value are recognized immediately in earnings, unless the normal purchase and sale exemption applies. We use natural gas derivatives primarily as an economic hedge of gas price risk, but without the application of hedge accounting under SFAS No. 133. Accordingly, changes in the fair value of the derivatives are recorded in cost of sales as the changes occur. Cash flows related to natural gas derivatives are reported as operating activities.

As of December 31, 2008 and December 31, 2007, we had open derivative contracts for 16.7 million MMBtus and 39.1 million MMBtus, respectively, of natural gas, most of which related to sales that had been contracted to be sold through our forward pricing program. For the year ended December 31, 2008, we used derivatives to cover approximately 96% of our natural gas consumption at Donaldsonville and approximately 86% of our two-thirds share of gas consumption at Medicine Hat. An overall $1.00 per MMBtu change in the forward curve prices of natural gas would change the pre-tax unrealized mark-to-market gain/loss on these derivative positions by $16.7 million.

We purchase ammonia and sulfur for use as raw materials in the production of DAP and MAP. We attempt to include any price fluctuations related to these raw materials in our selling prices of finished products, but there can be no guarantee that significant increases in input prices can always be recovered. We enter into raw material purchase contracts to procure ammonia and sulfur at market prices. A $10 per ton change in the related cost of a ton of ammonia or a long ton of sulfur would change DAP production cost by $2.10 per ton and $3.80 per ton, respectively. We also purchase ammonia, urea and UAN to augment or replace production at our facilities.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CF Industries Holdings, Inc.:

We have audited the consolidated balance sheets of CF Industries Holdings, Inc. and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CF Industries Holdings, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, as of January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 *Fair Value Measurements*, and the one year partial deferral guidance in Financial Accounting Standards Board Staff Position No. 157-2 *Effective Date of FASB Statement No. 157*. As discussed in Note 27 to the consolidated financial statements, as of December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R)*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of CF Industries Holdings, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Chicago, Illinois
February 26, 2009

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2008	**2007**	**2006**
	(in millions, except per share amounts)		
Net sales	$ 3,921.1	$ 2,756.7	$ 2,032.9
Cost of sales	2,698.4	2,086.7	1,885.7
Gross margin	1,222.7	670.0	147.2
Selling, general and administrative	68.0	65.2	54.5
Other operating net	4.5	3.2	21.4
Operating earnings	1,150.2	601.6	71.3
Interest expense	1.6	1.7	2.9
Interest income	(26.1)	(24.4)	(12.5)
Minority interest	116.9	54.6	28.8
Other non-operating net	(0.7)	(1.6)	(0.9)
Earnings before income taxes and equity in earnings of unconsolidated affiliates	1,058.5	571.3	53.0
Income tax provision	378.1	199.5	19.7
Equity in earnings of unconsolidated affiliates net of taxes	4.2	0.9	
Net earnings	$ 684.6	$ 372.7	$ 33.3
Net earnings per common share			
Basic	$ 12.39	$ 6.71	$ 0.60
Diluted	$ 12.15	$ 6.57	$ 0.60
Weighted average common shares outstanding			
Basic	55.3	55.5	55.0
Diluted	56.4	56.7	55.1

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,		
	2008	2007	2006
		(in millions)	
Net earnings	$684.6	$372.7	$33.3
Other comprehensive income (loss):			
Foreign currency translation adjustment	(5.4)	3.9	
Unrealized loss on hedging derivatives net of taxes			(4.7)
Unrealized gain (loss) on securities net of taxes			