Owens Corning
Form 4
April 07, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
FERGUSON J BRIAN

(Last) (First) (Middle)

ONE OWENS CORNING PARKWAY

(Street)

TOLEDO, OH 43659

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Owens Corning [OC]

3. Date of Earliest Transaction (Month/Day/Year)
04/03/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
$.01 Par Value Common	04/03/2014		A		65.744 (1)	A	$ 0	27,799.744	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FERGUSON J BRIAN ONE OWENS CORNING PARKWAY TOLEDO, OH 43659	X			

Signatures

Raj B. Dave by POA filed 10/29/2013	04/07/2014
**Signature of Reporting Person	Date

Explanation of Responses:

*	If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
**	Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
(1)	Additional shares reflect the reinvestment of dividends, or dividend equivalents.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. style="font-family:inherit;font-size:10pt;"> former phosphate mines in southeast Idaho, one of which is the former Georgetown Canyon mine. We are not able to estimate at this time our potential liability, if any, with respect to the cleanup of the site or a possible claim for natural resource damages. However, based on currently available information, we do not expect the remedial or financial obligations to which we may be subject involving this or other cleanup sites will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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CF INDUSTRIES HOLDINGS, INC.

17. Segment Disclosures
Our reportable segments consist of ammonia, granular urea, UAN, AN and Other. These segments are differentiated by products. Our management uses gross margin to evaluate segment performance and allocate resources. Total other operating costs and expenses (consisting of selling, general and administrative expenses and other operating—net) and non-operating expenses (interest and income taxes) are centrally managed and are not included in the measurement of segment profitability reviewed by management.
Our assets, with the exception of goodwill, are not monitored by or reported to our chief operating decision maker by segment; therefore, we do not present total assets by segment. Goodwill by segment is presented in Note 7—Goodwill and Other Intangible Assets.
Segment data for sales, cost of sales and gross margin for the three months ended March 31, 2019 and 2018 are presented in the tables below.

	Ammonia	Granular Urea[1]	UAN[1]	AN[1]	Other[1]	Consolidated
	(in millions)					
Three months ended March 31, 2019						
Net sales	$187	$ 343	$256	$127	$ 88	$ 1,001
Cost of sales	166	228	195	114	78	781
Gross margin	$21	$ 115	$61	$13	$ 10	220
Total other operating costs and expenses						62
Equity in earnings of operating affiliate						7
Operating earnings						$ 165
Three months ended March 31, 2018						
Net sales	$212	$ 264	$283	$100	$ 98	$ 957
Cost of sales	188	189	230	74	86	767
Gross margin	$24	$ 75	$53	$26	$ 12	190
Total other operating costs and expenses						36
Equity in earnings of operating affiliate						7
Operating earnings						$ 161

[1] The cost of the products that are upgraded into other products is transferred at cost into the upgraded product results.

18. Condensed Consolidating Financial Statements

The following condensed consolidating financial information is presented in accordance with SEC Regulation S-X Rule 3-10, *Financial statements of guarantors and issuers of guaranteed securities registered or being registered*, and relates to (i) the senior notes due 2020, 2023, 2034, 2043 and 2044 (described in Note 12—Financing Agreements and referred to in this report as the Public Senior Notes) issued by CF Industries, Inc. (CF Industries), a 100% owned subsidiary of CF Industries Holdings, Inc. (Parent), and guarantees of the Public Senior Notes by Parent and by CFE, CFS, CF USA and CFIDF (the Subsidiary Guarantors), which are 100% owned subsidiaries of Parent, and (ii) debt securities of CF Industries (Other Debt Securities), and guarantees thereof by Parent and the Subsidiary Guarantors, that may be offered and sold from time to time under registration statements that may be filed by Parent, CF Industries and the Subsidiary Guarantors with the SEC.

In the event that a subsidiary of Parent, other than CF Industries, becomes a borrower or a guarantor under the Revolving Credit Agreement (or any renewal, replacement or refinancing thereof), such subsidiary would be required to become a guarantor of the Public Senior Notes, provided that such requirement will no longer apply with respect to the Public Senior Notes due 2023, 2034, 2043 and 2044 following the repayment of the Public Senior Notes due 2020 or the subsidiaries of Parent, other than CF Industries, otherwise becoming no longer subject to such a requirement to guarantee the Public Senior Notes due 2020. The Subsidiary Guarantors became guarantors of the Public Senior Notes as a result of this requirement.

All of the guarantees of the Public Senior Notes are, and we have assumed for purposes of this presentation of condensed consolidating financial information that the guarantees of any Other Debt Securities would be, full and unconditional (as such term is defined in SEC Regulation S-X Rule 3-10(h)) and joint and several. The guarantee of a Subsidiary Guarantor will be automatically released with respect to a series of the Public Senior Notes (1) upon the release, discharge or termination of such Subsidiary Guarantor’s guarantee of the Revolving Credit Agreement (or any renewal, replacement or refinancing thereof), (2) upon legal defeasance with respect to the Public Senior Notes of such series or satisfaction and discharge of the indenture with respect to such series of Public Senior Notes or (3) in the case of the Public Senior Notes due 2023, 2034, 2043 and 2044, upon the discharge, termination or release of, or the release of such Subsidiary Guarantor from its obligations under, such Subsidiary Guarantor’s guarantee of the Public Senior Notes due 2020, including, without limitation, any such discharge, termination or release as a result of retirement, discharge or legal or covenant defeasance of, or satisfaction and discharge of the supplemental indenture governing, the Public Senior Notes due 2020.

For purposes of the presentation of condensed consolidating financial information, the subsidiaries of Parent other than CF Industries and the Subsidiary Guarantors are referred to as the Non-Guarantors.

Presented below are condensed consolidating statements of operations, statements of comprehensive income and statements of cash flows for Parent, CF Industries, the Subsidiary Guarantors and the Non-Guarantors for the three months ended March 31, 2019 and 2018 and condensed consolidating balance sheets for Parent, CF Industries, the Subsidiary Guarantors and the Non-Guarantors as of March 31, 2019 and December 31, 2018. The condensed consolidating financial information presented below is not necessarily indicative of the financial position, results of operations, comprehensive income or cash flows of Parent, CF Industries, the Subsidiary Guarantors or the Non-Guarantors on a stand-alone basis.

In these condensed consolidating financial statements, investments in subsidiaries are presented under the equity method, in which our investments are recorded at cost and adjusted for our ownership share of a subsidiary’s cumulative results of operations, distributions and other equity changes, and the eliminating entries reflect primarily intercompany transactions such as sales, accounts receivable and accounts payable and the elimination of equity investments and earnings of subsidiaries. As of March 31, 2019, two of our consolidated entities have made elections to be taxed as partnerships for U.S. federal income tax purposes and are included in the Non-Guarantors column. Due to the partnership tax treatment, these subsidiaries do not record taxes on their financial statements. The tax provision pertaining to the income of these partnerships, plus applicable deferred tax balances are reflected on the financial statements of the parent company owner that is included in the Subsidiary Guarantors column in the following financial information. Liabilities related to benefit plan obligations are reflected on the legal entity that funds the obligation, while the benefit plan expense is included on the legal entity to which the employee provides services.

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CF INDUSTRIES HOLDINGS, INC.

Condensed Consolidating Statement of Operations

	Three months ended March 31, 2019					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$ 90	$ 739	$ 950	$ (778)	$ 1,001
Cost of sales	—	88	716	753	(776)	781
Gross margin	—	2	23	197	(2)	220
Selling, general and administrative expenses	1	1	39	19	(2)	58
Other operating—net	—	1	1	2	—	4
Total other operating costs and expenses	1	2	40	21	(2)	62
Equity in earnings of operating affiliates	—	1	—	6	—	7
Operating (loss) earnings	(1)	1	(17)	182	—	165
Interest expense	—	61	1	1	(3)	60
Interest expense—mandatorily redeemable preferred shares	—	—	—	1	(1)	—
Interest income	(1)	—	(3)	(4)	4	(4)
Net earnings of wholly owned subsidiaries	(90)	(137)	(177)	—	404	—
Other non-operating—net	—	—	—	(1)	—	(1)
Earnings before income taxes	90	77	162	185	(404)	110
Income tax (benefit) provision	—	(13)	30	(25)	—	(8)
Net earnings	90	90	132	210	(404)	118
Less: Net earnings attributable to noncontrolling interests	—	—	—	28	—	28
Net earnings attributable to common stockholders	$90	$ 90	$ 132	$ 182	$ (404)	$ 90

Condensed Consolidating Statement of Comprehensive Income

	Three months ended March 31, 2019					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in millions)					
Net earnings	$90	$ 90	$ 132	$ 210	$ (404)	$ 118
Other comprehensive income	31	31	20	31	(83)	30
Comprehensive income	121	121	152	241	(487)	148
Less: Comprehensive income attributable to noncontrolling interests	—	—	—	28	—	28
Comprehensive income attributable to common stockholders	$121	$ 121	$ 152	$ 213	$ (487)	$ 120

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CF INDUSTRIES HOLDINGS, INC.

Condensed Consolidating Statement of Operations

	Three months ended March 31, 2018					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in millions)					
Net sales	$—	$ 105	$ 712	$ 885	$ (745)	$ 957
Cost of sales	—	90	716	700	(739)	767
Gross margin	—	15	(4)	185	(6)	190
Selling, general and administrative expenses	1	1	39	22	(6)	57
Other operating—net	—	(13)	(3)	(5)	—	(21)
Total other operating costs and expenses	1	(12)	36	17	(6)	36
Equity in earnings of operating affiliates	—	3	—	4	—	7
Operating (loss) earnings	(1)	30	(40)	172	—	161
Interest expense	—	62	4	1	(7)	60
Interest income	(1)	(2)	(3)	(4)	7	(3)
Net earnings of wholly owned subsidiaries	(63)	(87)	(135)	—	285	—
Other non-operating—net	—	—	—	(1)	—	(1)
Earnings before income taxes	63	57	94	176	(285)	105
Income tax (benefit) provision	—	(6)	17	6	—	17
Net earnings	63	63	77	170	(285)	88
Less: Net earnings attributable to noncontrolling interests	—	—	—	25	—	25
Net earnings attributable to common stockholders	$63	$ 63	$ 77	$ 145	$ (285)	$ 63

Condensed Consolidating Statement of Comprehensive Income

	Three months ended March 31, 2018					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in millions)					
Net earnings	$63	$ 63	$ 77	$ 170	$ (285)	$ 88
Other comprehensive income	15	15	1	15	(30)	16
Comprehensive income	78	78	78	185	(315)	104
Less: Comprehensive income attributable to noncontrolling interests	—	—	—	25	—	25
Comprehensive income attributable to common stockholders	$78	$ 78	$ 78	$ 160	$ (315)	$ 79

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CF INDUSTRIES HOLDINGS, INC.

Condensed Consolidating Balance Sheet

	March 31, 2019					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations and Reclassifications	Consolidated
	(in millions)					
Assets						
Current assets:						
Cash and cash equivalents	$52	$45	$237	$337	$—	$671
Accounts and notes receivable—net	137	506	1,132	805	(2,316)	264
Inventories	—	—	253	193	—	446
Prepaid income taxes	—	—	—	1	—	1
Other current assets	—	—	23	7	—	30
Total current assets	189	551	1,645	1,343	(2,316)	1,412
Property, plant and equipment—net	—	—	106	8,365	—	8,471
Investments in affiliates	3,610	8,066	6,523	100	(18,199)	100
Goodwill	—	—	2,064	296	—	2,360
Operating lease right-of-use assets	—	—	280	5	—	285
Other assets	—	4	159	325	(174)	314
Total assets	$3,799	$8,621	$10,777	$10,434	$(20,689)	$12,942
Liabilities and Equity						
Current liabilities:						
Accounts and notes payable and accrued expenses	$844	$296	$1,298	$310	$(2,316)	$432
Income taxes payable	—	—	3	—	—	3
Customer advances	—	—	301	—	—	301
Current operating lease liabilities	—	—	83	2	—	85
Other current liabilities	—	—	5	—	—	5
Total current liabilities	844	296	1,690	312	(2,316)	826
Long-term debt	—	4,700	43	130	(173)	4,700
Dividends payable—mandatorily redeemable preferred shares	—	—	—	1	(1)	—
Deferred income taxes	—	—	979	156	—	1,135
Operating lease liabilities	—	—	200	3	—	203
Other liabilities	—	15	233	160	—	408
Equity:						
Stockholders' equity:						
Preferred stock	—	—	—	—	—	—
Common stock	2	—	—	4,964	(4,964)	2
Paid-in capital	1,311	1,799	8,760	1,263	(11,822)	1,311
Retained earnings	2,047	2,152	(863)	1,015	(2,304)	2,047
Treasury stock	(64)	—	—	—	—	(64)
Accumulated other comprehensive loss	(341)	(341)	(257)	(293)	891	(341)
Total stockholders' equity	2,955	3,610	7,640	6,949	(18,199)	2,955
Noncontrolling interests	—	—	(8)	2,723	—	2,715
Total equity	2,955	3,610	7,632	9,672	(18,199)	5,670
Total liabilities and equity	$3,799	$8,621	$10,777	$10,434	$(20,689)	$12,942

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CF INDUSTRIES HOLDINGS, INC.

Condensed Consolidating Balance Sheet

	December 31, 2018					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations and Reclassifications	Consolidated
	(in millions)					
Assets						
Current assets:						
Cash and cash equivalents	$36	$27	$65	$554	$—	$682
Accounts and notes receivable—net	135	500	1,203	911	(2,514)	235
Inventories	—	4	142	163	—	309
Prepaid income taxes	—	—	24	4	—	28
Other current assets	—	—	15	5	—	20
Total current assets	171	531	1,449	1,637	(2,514)	1,274
Property, plant and equipment—net	—	—	118	8,505	—	8,623
Investments in affiliates	3,656	8,208	6,857	94	(18,722)	93
Goodwill	—	—	2,064	289	—	2,353
Other assets	—	4	126	320	(132)	318
Total assets	$3,827	$8,743	$10,614	$10,845	$(21,368)	$12,661
Liabilities and Equity						
Current liabilities:						
Accounts and notes payable and accrued expenses	$870	$374	$1,429	$386	$(2,514)	$545
Income taxes payable	—	—	5	—	—	5
Customer advances	—	—	149	—	—	149
Other current liabilities	—	—	6	—	—	6
Total current liabilities	870	374	1,589	386	(2,514)	705
Long-term debt	—	4,698	43	89	(132)	4,698
Deferred income taxes	—	—	960	157	—	1,117
Other liabilities	—	15	232	163	—	410
Equity:						
Stockholders' equity:						
Preferred stock	—	—	—	—	—	—
Common stock	2	—	—	5,363	(5,363)	2
Paid-in capital	1,368	1,799	9,070	1,265	(12,134)	1,368
Retained earnings	2,463	2,229	(995)	965	(2,199)	2,463
Treasury stock	(504)	—	—	—	—	(504)
Accumulated other comprehensive loss	(372)	(372)	(277)	(324)	974	(371)
Total stockholders' equity	2,957	3,656	7,798	7,269	(18,722)	2,958
Noncontrolling interests	—	—	(8)	2,781	—	2,773
Total equity	2,957	3,656	7,790	10,050	(18,722)	5,731
Total liabilities and equity	$3,827	$8,743	$10,614	$10,845	$(21,368)	$12,661

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CF INDUSTRIES HOLDINGS, INC.

Condensed Consolidating Statement of Cash Flows

	Three months ended March 31, 2019					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in millions)					
Operating Activities:						
Net earnings	$90	$ 90	$ 132	$ 210	$ (404)	$ 118
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:						
Depreciation and amortization	—	2	6	180	—	188
Deferred income taxes	—	—	18	(4)	—	14
Stock-based compensation expense	6	—	—	—	—	6
Unrealized net loss on natural gas derivatives	—	—	2	—	—	2
Unrealized loss on embedded derivative	—	—	1	—	—	1
Loss on disposal of property, plant and equipment	—	—	—	1	—	1
Undistributed earnings of affiliates—net	(90)	(137)	(177)	(8)	404	(8)
Changes in:						
Intercompany accounts receivable/accounts payable—net	—	9	6	(15)	—	—
Accounts receivable—net	—	(1)	(22)	(5)	—	(28)
Inventories	—	4	(114)	9	—	(101)
Accrued and prepaid income taxes	(1)	(12)	34	3	—	24
Accounts and notes payable and accrued expenses	—	17	(40)	(42)	—	(65)
Customer advances	—	—	152	—	—	152
Other—net	—	—	2	—	—	2
Net cash provided by (used in) operating activities	5	(28)	—	329	—	306
Investing Activities:						
Additions to property, plant and equipment	—	—	(4)	(76)	—	(80)
Proceeds from sale of property, plant and equipment	—	—	—	5	—	5
Distributions received from unconsolidated affiliates	—	225	209	(434)	—	—
Net cash provided by (used in) investing activities	—	225	205	(505)	—	(75)
Financing Activities:						
Long-term debt—net	—	—	(39)	39	—	—
Short-term debt—net	—	(12)	6	6	—	—
Dividends paid on common stock	(67)	(167)	—	—	167	(67)
Dividends to/from affiliates	167	—	—	—	(167)	—
Distribution to noncontrolling interest	—	—	—	(86)	—	(86)
Purchases of treasury stock	(87)	—	—	—	—	(87)
Issuances of common stock under employee stock plans	2	—	—	—	—	2
Shares withheld for taxes	(4)	—	—	—	—	(4)
Net cash provided by (used in) financing activities	11	(179)	(33)	(41)	—	(242)
Increase (decrease) in cash and cash equivalents	16	18	172	(217)	—	(11)
Cash and cash equivalents at beginning of period	36	27	65	554	—	682
Cash and cash equivalents at end of period	$52	$ 45	$ 237	$ 337	$ —	$ 671

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CF INDUSTRIES HOLDINGS, INC.

Condensed Consolidating Statement of Cash Flows

	Three months ended March 31, 2018					
	Parent	CF Industries	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in millions)					
Operating Activities:						
Net earnings	$63	$ 63	$ 77	$ 170	$ (285)	$ 88
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:						
Depreciation and amortization	—	2	5	186	—	193
Deferred income taxes	—	—	39	(10)	—	29
Stock-based compensation expense	6	—	—	—	—	6
Unrealized net loss (gain) on natural gas derivatives	—	—	1	(4)	—	(3)
Undistributed earnings of affiliates—net	(63)	(86)	(136)	(3)	285	(3)
Changes in:						
Intercompany accounts receivable/accounts payable—net	(7)	(50)	63	(6)	—	—
Accounts receivable—net	—	—	64	(3)	—	61
Inventories	—	4	(91)	(10)	—	(97)
Accrued and prepaid income taxes	—	(7)	(13)	6	—	(14)
Accounts and notes payable and accrued expenses	—	7	(5)	(26)	—	(24)
Customer advances	—	—	65	—	—	65
Other—net	—	(1)	3	(21)	—	(19)
Net cash (used in) provided by operating activities	(1)	(68)	72	279	—	282
Investing Activities:						
Additions to property, plant and equipment	—	—	(3)	(65)	—	(68)
Proceeds from sale of property, plant and equipment	—	—	—	8	—	8
Distributions received from unconsolidated affiliates	—	—	144	(140)	—	4
Investments in consolidated subs - capital contributions	—	(31)	(415)	446	—	—
Other—net	—	—	—	1	—	1
Net cash (used in) provided by investing activities	—	(31)	(274)	250	—	(55)
Financing Activities:						
Long-term debt—net	—	—	178	(178)	—	—
Short-term debt—net	70	98	(275)	107	—	—
Financing fees	—	1	—	—	—	1
Dividends paid on common stock	(70)	—	—	(49)	49	(70)
Dividends to/from affiliates	—	—	49	—	(49)	—
Distributions to noncontrolling interests	—	—	—	(59)	—	(59)
Issuances of common stock under employee stock plans	2	—	—	—	—	2
Shares withheld for taxes	(1)	—	—	—	—	(1)
Net cash provided by (used in) financing activities	1	99	(48)	(179)	—	(127)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1	—	1
(Decrease) increase in cash and cash equivalents	—	—	(250)	351	—	101
Cash and cash equivalents at beginning of period	—	15	388	432	—	835
Cash and cash equivalents at end of period	$—	$ 15	$ 138	$ 783	$ —	$ 936

Explanation of Responses:

19. Subsequent Event

During the first quarter of 2019, we entered into an agreement to sell our Pine Bend dry bulk storage and logistics facility in Minnesota. In April of 2019, we completed the sale and received proceeds of $55 million. See Note 6—Property, Plant and Equipment—Net for additional information.

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CF INDUSTRIES HOLDINGS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis in conjunction with our annual consolidated financial statements and related notes, which were included in our 2018 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2019, as well as Item 1. Financial Statements, in this Form 10-Q. All references to "CF Holdings," "we," "us," "our" and "the Company" refer to CF Industries Holdings, Inc. and its subsidiarie except where the context makes clear that the reference is only to CF Industries Holdings, Inc. itself and not its subsidiaries. All references to "CF Industries" refer to CF Industries, Inc., a 100% owned subsidiary of CF Industries Holdings, Inc. References to tons refer to short-tons. Notes referenced in this discussion and analysis refer to the notes to our unaudited interim consolidated financial statements that are found in the preceding section: Item 1. Financial Statements. The following is an outline of the discussion and analysis included herein:

- *Overview of CF Holdings*
- *Our Company*
- *Items Affecting Comparability of Results*
- *Financial Executive Summary*
- *Results of Consolidated Operations*
- *First Quarter of 2019 Compared to First Quarter of 2018*
- *Operating Results by Business Segment*
- *Liquidity and Capital Resources*
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Overview of CF Holdings

Our Company

We are a leading global fertilizer and chemical company. Our 3,000 employees operate world-class manufacturing complexes in Canada, the United Kingdom and the United States. Our principal customers are cooperatives, independent fertilizer distributors, traders, wholesalers, farmers and industrial users. Our principal nitrogen fertilizer products are ammonia, granular urea, urea ammonium nitrate solution (UAN) and ammonium nitrate (AN). Our other nitrogen products include diesel exhaust fluid (DEF), urea liquor, nitric acid and aqua ammonia, which are sold primarily to our industrial customers, and compound fertilizer products (NPKs), which are solid granular fertilizer products for which the nutrient content is a combination of nitrogen, phosphorus, and potassium. We serve our customers in North America through our production, storage, transportation and distribution network. We also reach a global customer base with exports from our Donaldsonville, Louisiana, plant, the world's largest and most flexible nitrogen complex. Additionally, we move product to international destinations from our Verdigris, Oklahoma, facility, our Yazoo City, Mississippi, facility, our Billingham and Ince facilities in the United Kingdom, and from a joint venture ammonia facility in the Republic of Trinidad and Tobago in which we own a 50 percent interest.

Our principal assets as of March 31, 2019 include:

- five U.S. nitrogen fertilizer manufacturing facilities located in Donaldsonville, Louisiana (the largest nitrogen fertilizer complex in the world); Port Neal, Iowa; Yazoo City, Mississippi; Verdigris, Oklahoma; and Woodward, Oklahoma. These facilities are owned by CF Industries Nitrogen, LLC (CFN), of which we own approximately 89% and CHS Inc. (CHS) owns the remainder. See Note 14—Noncontrolling Interests for additional information on our strategic venture with CHS;
- two Canadian nitrogen fertilizer manufacturing facilities located in Medicine Hat, Alberta (the largest nitrogen fertilizer complex in Canada) and Courtright, Ontario;
- two United Kingdom nitrogen manufacturing facilities located in Billingham and Ince;

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

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- a 50% interest in Point Lisas Nitrogen Limited (PLNL), an ammonia production joint venture located in the Republic of Trinidad and Tobago that we account for under the equity method.

Items Affecting Comparability of Results

Sales Volume

Unfavorable weather conditions impacted the first quarter of 2019. Persistent cold and wet weather across most of North America delayed spring planting activity and fertilizer applications. High water levels impacted shipping and logistics on inland rivers and delayed certain barge shipments. This resulted in delays in certain customers taking delivery of fertilizer and other customers delaying purchases. These factors were primarily responsible for a decline in our first quarter sales volume. Sales volume for the three months ended March 31, 2019 was 4.1 million product tons, a decrease of 5% compared to sales volume of 4.3 million product tons for the three months ended March 31, 2018. This decrease in sales volume resulted in a decrease in net sales of approximately $18 million. The sales volume of UAN and ammonia were primarily impacted by these weather factors. Partially offsetting these declines were increases in sales volumes of both granular urea and AN due primarily to increases in production of these products.

Selling Prices

The U.S. Gulf is a major global fertilizer pricing point due to the volume of nitrogen fertilizer that trades there. In 2018, higher energy costs in Asia and Europe, along with continued enforcement of environmental regulations in China, resulted in lower nitrogen production in these regions. In addition, outages impacted the nitrogen supply and demand balance. These factors collectively drove global nitrogen prices higher throughout the latter half of 2018. Upon entering the first quarter of 2019, average selling prices were higher than the first quarter of 2018, driven by the impact of a tighter global nitrogen supply and demand balance experienced throughout late 2018. A large volume of shipments made in the first quarter of 2019 reflected higher selling prices from orders placed in the latter part of 2018 and early 2019. As the first quarter of 2019 progressed and the market became more balanced, selling prices for some nitrogen products decreased.

The average selling price for our products for the three months ended March 31, 2019 was $245 per ton compared to $222 per ton for the three months ended March 31, 2018, an increase of 10%, which resulted in an increase in net sales of approximately $62 million.

Other Items Affecting Comparability

In addition to the impact of market conditions on nitrogen fertilizer selling prices and sales volume, certain items impacted the comparability of our financial results during the three months ended March 31, 2019 and 2018. The following table and related discussion outline these items and how they impacted the comparability of our financial results during these periods. During the three months ended March 31, 2019 and 2018, we reported net earnings attributable to common stockholders of $90 million and $63 million, respectively.

	Three Months Ended March 31,			
	2019		2018	
	Pre-Tax	After-Tax	Pre-Tax	After-Tax
	(in millions)			
Unrealized net mark-to-market loss (gain) on natural gas derivatives[1]	$2	$ 1	$(3)	$ (2)
Loss (gain) on foreign currency transactions, including intercompany loans[2]	2	1	(5)	(4)
Louisiana incentive tax credit[3]	—	(30)	—	—
Costs related to the acquisition of TNCLP Public Units[4]	—	—	2	1
Earnings attributable to noncontrolling interests - TNCLP[5]	—	—	8	8

(1) Included in cost of sales in our consolidated statements of operations.

(2) Included in other operating—net in our consolidated statements of operations.

(3) Included in income tax (benefit) provision in our consolidated statement of operations.

(4) Included in selling, general and administrative expenses in our consolidated statement of operations.

(5) Included in net earnings attributable to noncontrolling interests in our consolidated statement of operations.

The following describes these items, identified in the table above, that impacted the comparability of our financial results for the three months ended March 31, 2019 and 2018. Descriptions of items below that refer to amounts in the table above refer to the pre-tax amounts.

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Unrealized net mark-to-market loss (gain) on natural gas derivatives
Natural gas is typically the largest and most volatile single component of the manufacturing cost for nitrogen-based products. At certain times, we have managed the risk of changes in natural gas prices through the use of derivative financial instruments. The derivatives that we may use for this purpose are primarily natural gas fixed price swaps, natural gas basis swaps and natural gas options. We use natural gas derivatives as an economic hedge of natural gas price risk, but without the application of hedge accounting. This 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, which is reflected in cost of sales in our consolidated statements of operations. In the three months ended March 31, 2019 and 2018, we recognized unrealized net mark-to-market losses (gains) of $2 million and $(3) million, respectively.
Loss (gain) on foreign currency transactions, including intercompany loans
In the three months ended March 31, 2019 and 2018, we recognized losses (gains) of $2 million and $(5) million, respectively, from the impact of changes in foreign currency exchange rates on primarily British pound and Canadian dollar denominated intercompany loans that were not permanently invested.
Louisiana incentive tax credit
For the three months ended March 31, 2019, our income tax benefit includes an incentive tax credit from the State of Louisiana of $30 million, net of federal income tax, related to certain capital projects at our Donaldsonville, Louisiana complex.
Acquisition of the Terra Nitrogen Company, L.P. (TNCLP) Public Units
In the first quarter of 2018, we announced that, in accordance with the terms of TNCLP’s First Amended and Restated Agreement of Limited Partnership (as amended by Amendment No. 1 to the First Amended and Restated Agreement of Limited Partnership, the TNCLP Agreement of Limited Partnership), Terra Nitrogen GP Inc. (TNGP), the sole general partner of TNCLP and an indirect wholly owned subsidiary of CF Holdings, elected to exercise its right to purchase all of the 4,612,562 publicly traded common units of TNCLP (the TNCLP Public Units). TNGP completed its purchase of the TNCLP Public Units on April 2, 2018 (the Purchase) for an aggregate cash purchase price of $388 million. We funded the Purchase with cash on hand. Upon completion of the Purchase, CF Holdings owned, through its subsidiaries, 100 percent of the general and limited partnership interests of TNCLP.
In the three months ended March 31, 2018, we incurred $2 million of costs for various legal services associated with the acquisition of the TNCLP Public Units. These costs are reflected in selling, general and administrative expenses in our consolidated statement of operations.
Beginning in the second quarter of 2018, as a result of the April 2, 2018 acquisition of the TNCLP Public Units, there are no longer earnings attributable to noncontrolling interests in TNCLP. In the three months ended March 31, 2018, earnings attributable to noncontrolling interests in TNCLP was $8 million.
Financial Executive Summary
We reported net earnings attributable to common stockholders of $90 million for the three months ended March 31, 2019 compared to $63 million for the three months ended March 31, 2018, or an increase in net earnings of $27 million between the periods. Diluted net earnings per share attributable to common stockholders increased $0.13 per share to $0.40 in the first quarter of 2019 compared to $0.27 in the first quarter of 2018. The increase in net earnings of $27 million was due primarily to the following:

- Net sales were $1.00 billion in the first quarter of 2019, an increase of $44 million, or 5%, from $957 million in the first quarter of 2018, reflecting an increase in average selling prices of 10% partially offset by a 5% decline in sales volume.
- Gross margin increased by $30 million in the first quarter of 2019 to $220 million as compared to $190 million in the first quarter of 2018. The increase in gross margin was driven by tightening supply and demand conditions in the global nitrogen market, which increased average selling prices. This increase was partially offset by higher realized natural gas costs in the first quarter of 2019 as compared to the first quarter of 2018, higher plant maintenance activity and an increase in shipping costs due to weather related factors. This is more fully described in the section above

titled “Items Affecting Comparability of Results”.

- In the first quarter of 2019, we recorded an income tax benefit of $8 million on pre-tax income of $110 million, compared to an income tax provision of $17 million on pre-tax income of $105 million in the first quarter of 2018.

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The first quarter of 2019 includes an incentive tax credit from the State of Louisiana of $30 million, which is more fully described in the section above titled “Items Affecting Comparability of Results”.
On February 13, 2019, our Board of Directors (the Board) authorized the repurchase of up to $1 billion of CF Holdings common stock through December 31, 2021 (the 2019 Share Repurchase Program). Repurchases under the 2019 Share Repurchase Program may be made from time to time in the open market, through privately negotiated transactions, block transactions or otherwise. The manner, timing and amount of repurchases will be determined by our management based on the evaluation of market conditions, stock price and other factors. In the first quarter of 2019, we repurchased approximately 1.5 million shares for $60 million.
In April of 2019, the European Union Commission published a regulation imposing provisional anti-dumping duties on imports to the European Union of UAN manufactured in Russia, Trinidad and Tobago and the United States. The rate of the provisional anti-dumping duty applicable to imports of UAN manufactured in the United States is 22.6%. The regulation was effective on April 12, 2019 and the provisional anti-dumping duties apply for a period of six months from the effective date, at which time the provisional anti-dumping duties would be finalized, modified or canceled.

Results of Consolidated Operations

The following table presents our consolidated results of operations and supplemental data:

	Three Months Ended March 31,			
	2019	2018	2019 v. 2018	
	(in millions, except as noted)			
Net sales	$1,001	$957	$44	5 %
Cost of sales	781	767	14	2 %
Gross margin	220	190	30	16 %
Gross margin percentage	22.0 %	19.9 %	2.1 %	
Selling, general and administrative expenses	58	57	1	2 %
Other operating—net	4	(21)	25	N/M
Total other operating costs and expenses	62	36	26	72 %
Equity in earnings of operating affiliate	7	7	—	— %
Operating earnings	165	161	4	2 %
Interest expense—net	56	57	(1)	(2)%
Other non-operating—net	(1)	(1)	—	— %
Earnings before income taxes	110	105	5	5 %
Income tax (benefit) provision	(8)	17	(25)	N/M
Net earnings	118	88	30	34 %
Less: Net earnings attributable to noncontrolling interests	28	25	3	12 %
Net earnings attributable to common stockholders	$90	$63	$27	43 %
Diluted net earnings per share attributable to common stockholders	$0.40	$0.27	$0.13	48 %
Diluted weighted-average common shares outstanding	224.6	234.8	(10.2)	(4)%
Dividends declared per common share	$0.30	$0.30	$—	— %
Natural gas supplemental data (per MMBtu)				
Natural gas costs in cost of sales(1)	$3.70	$3.32	$0.38	11 %
Realized derivatives (gain) loss in cost of sales(2)	(0.02)	0.01	(0.03)	N/M
Cost of natural gas in cost of sales	$3.68	$3.33	$0.35	11 %
Average daily market price of natural gas Henry Hub (Louisiana)	$2.89	$3.02	$(0.13)	(4)%
Average daily market price of natural gas National Balancing Point (UK)	$6.56	$8.20	$(1.64)	(20)%
Unrealized net mark-to-market loss (gain) on natural gas derivatives	$2	$(3)	$5	N/M
Depreciation and amortization	$188	$193	$(5)	(3)%
Capital expenditures	$80	$68	$12	18 %
Sales volume by product tons (000s)	4,087	4,303	(216)	(5)%
Production volume by product tons (000s):				
Ammonia(3)	2,567	2,508	59	2 %
Granular urea	1,306	1,151	155	13 %
UAN (32%)	1,637	1,805	(168)	(9)%
AN	482	458	24	5 %

N/M—Not Meaningful

(1) Includes the cost of natural gas and related transportation that is included in cost of sales during the period under the first-in, first-out inventory cost method.

(2) Includes realized gains and losses on natural gas derivatives settled during the period. Excludes unrealized mark-to-market gains and losses on natural gas derivatives.

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

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First Quarter of 2019 Compared to First Quarter of 2018

Net Sales

Our total net sales increased $44 million, or 5%, to $1.00 billion in the first quarter of 2019 compared to $957 million in the first quarter of 2018 due to a 10% increase in average selling prices, which increased net sales by $62 million, partially offset by lower sales volumes, which decreased net sales by $18 million.

Average selling prices were $245 per ton in the first quarter of 2019 compared to $222 per ton in the first quarter of 2018 due to higher selling prices in our UAN, granular urea and AN segments, driven by the impact of a tighter global nitrogen supply and demand balance, partially offset by lower selling prices in our ammonia segment.

Our total sales volume decreased 5% from the first quarter of 2018 to the first quarter of 2019, due primarily to unfavorable weather including wet conditions and cold temperatures which delayed the spring application season. This impact was partially offset by higher granular urea and AN sales supported by increased production.

Cost of Sales

Our total cost of sales increased $14 million, or 2%, from the first quarter of 2018 to the first quarter of 2019. The increase in our cost of sales was due primarily to higher realized natural gas costs, including the impact of realized derivatives, higher costs related to plant maintenance activity and an increase in shipping costs due to cold and wet weather in North America, partially offset by the impact of lower volumes. Cost of sales averaged $191 per ton in the first quarter of 2019, a 7% increase from $178 per ton in the same quarter of 2018. Realized natural gas costs, including the impact of realized derivatives, increased 11% from $3.33 per MMBtu in 2018 to $3.68 per MMBtu in 2019.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were essentially unchanged at $58 million in the first quarter of 2019 as compared to $57 million in the comparable period of 2018.

Other Operating—Net

Other operating—net was $4 million of expense in the first quarter of 2019 compared to $21 million of income in the comparable period of 2018. The $4 million of expense in the first quarter of 2019 was primarily due to foreign currency transaction losses. The income in the first quarter of 2018 was due to the combination of changes in legal reserves, unrealized foreign currency gains pertaining to British pound denominated intercompany loans and a gain due to the recovery of certain precious metals used in the manufacturing process.

Equity in Earnings of Operating Affiliate

Equity in earnings of operating affiliate was unchanged at $7 million in both the first quarter of 2019 and the first quarter of 2018.

Interest Expense—Net

Net interest expense was essentially unchanged at $56 million in the first quarter of 2019 compared to $57 million in the first quarter of 2018.

Income Taxes

For the three months ended March 31, 2019, we recorded an income tax benefit of $8 million on pre-tax income of $110 million, or an effective tax rate of (7.3)%, compared to an income tax provision of $17 million on pre-tax income of $105 million, or an effective tax rate of 15.8%, for the three months ended March 31, 2018.

For the three months ended March 31, 2019, our income tax benefit includes an incentive tax credit from the State of Louisiana of $30 million, net of federal income tax, related to certain capital projects at our Donaldsonville, Louisiana complex.

Our effective tax rate is also impacted by earnings attributable to the noncontrolling interests in CFN and in the first quarter of 2018 by earnings attributable to the noncontrolling interests in TNCLP, as our consolidated income tax (benefit) provision does not include a tax provision on the earnings attributable to the noncontrolling interests. Our effective tax rate for the three months ended March 31, 2019 of (7.3)%, which is based on pre-tax income of $110 million, would be 27.4% exclusive of the earnings attributable to the noncontrolling interests of $28 million and the incentive tax credit of $30 million. Our effective tax rate for the three months ended March 31, 2018 of 15.8%, which is based on pre-tax income of $105 million,

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would be 20.8% exclusive of the earnings attributable to the noncontrolling interests of $25 million. See Note 10—Income Taxes and Note 14—Noncontrolling Interests for additional information.

Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests increased $3 million in the first quarter of 2019 compared to the first quarter of 2018 due to higher earnings from CFN driven by higher average selling prices due to the impact of a tighter global nitrogen supply and demand balance, partially offset by the reduction in noncontrolling interests due to the April 2, 2018 purchase of the noncontrolling interests in TNCLP. In the three months ended March 31, 2018, earnings attributable to noncontrolling interests in TNCLP was $8 million.

Diluted Net Earnings Per Share Attributable to Common Stockholders

Net earnings per share attributable to common stockholders increased $0.13 to $0.40 per diluted share in the first quarter of 2019 from $0.27 per diluted share in the first quarter of 2018. This increase is primarily driven by higher gross margin driven by higher average selling prices due to the impact of a tighter global nitrogen supply and demand balance entering 2019.

Operating Results by Business Segment

Our reportable segments consist of ammonia, granular urea, UAN, AN and Other. These segments are differentiated by products. Our management uses gross margin to evaluate segment performance and allocate resources. Total other operating costs and expenses (consisting of selling, general and administrative expenses and other operating—net) and non-operating expenses (interest and income taxes), are centrally managed and are not included in the measurement of segment profitability reviewed by management. The following table presents summary operating results by business segment:

	Ammonia	Granular Urea(1)	UAN(1)	AN(1)	Other(1)	Consolidated
	(in millions, except percentages)					
Three months ended March 31, 2019						
Net sales	$187	$343	$256	$127	$88	$1,001
Cost of sales	166	228	195	114	78	781
Gross margin	$21	$115	$61	$13	$10	$220
Gross margin percentage	11.2 %	33.5 %	23.8 %	10.2 %	11.4%	22.0 %
Three months ended March 31, 2018						
Net sales	$212	$264	$283	$100	$98	$957
Cost of sales	188	189	230	74	86	767
Gross margin	$24	$75	$53	$26	$12	$190
Gross margin percentage	11.3 %	28.4 %	18.7 %	26.0 %	12.2%	19.9 %

(1) The cost of products that are upgraded into other products is transferred at cost into the upgraded product results.

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Ammonia Segment

Our ammonia segment produces anhydrous ammonia (ammonia), which is our most concentrated nitrogen fertilizer as it contains 82% nitrogen. The results of our ammonia segment consist of sales of ammonia to external customers. In addition, ammonia is the “basic” nitrogen product that we upgrade into other nitrogen products such as granular urea, UAN and AN. We produce ammonia at all of our nitrogen manufacturing complexes.

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

	Three Months Ended March 31,			
	2019	2018	2019 v. 2018	
	(dollars in millions, except per ton amounts)			
Net sales	$187	$212	$(25)	(12)%
Cost of sales	166	188	(22)	(12)%
Gross margin	$21	$24	$(3)	(13)%
Gross margin percentage	11.2 %	11.3 %	(0.1)%	
Sales volume by product tons (000s)	606	664	(58)	(9)%
Sales volume by nutrient tons (000s)[(1)]	497	544	(47)	(9)%
Average selling price per product ton	$309	$319	$(10)	(3)%
Average selling price per nutrient ton[(1)]	$376	$390	$(14)	(4)%
Gross margin per product ton	$35	$36	$(1)	(3)%
Gross margin per nutrient ton[(1)]	$42	$44	$(2)	(5)%
Depreciation and amortization	$29	$25	$4	16 %
Unrealized net mark-to-market gain on natural gas derivatives	$—	$(1)	$1	100 %

(1) Ammonia represents 82% nitrogen content. Nutrient tons represent the equivalent tons of nitrogen within the product tons.

First Quarter of 2019 Compared to First Quarter of 2018

Net Sales. Net sales in the ammonia segment decreased by $25 million, or 12%, in the first quarter of 2019 from the first quarter of 2018 due primarily to a 9% decrease in sales volume and a 3% decrease in average selling prices. Sales volume in the first quarter was impacted by unfavorable weather including wet conditions and cold temperatures throughout much of North America, which delayed the spring application season. Average selling prices decreased to $309 per ton in the first quarter of 2019 compared to $319 in the comparable period of 2018 due primarily to the impact of lower global demand.

Cost of Sales. Cost of sales in our ammonia segment averaged $274 per ton in the first quarter of 2019, a 3% decrease from $283 per ton in the same quarter of 2018. The decrease is due primarily to a lower cost for purchased product from our joint venture in Trinidad in the first quarter of 2019 as compared to the first quarter of 2018, which reduces the overall cost per ton, partially offset by higher freight costs due to the mix of transportation modes.

Granular Urea Segment

Our granular urea segment produces granular urea, which contains 46% nitrogen. Produced from ammonia and carbon dioxide, it has the highest nitrogen content of any of our solid nitrogen fertilizers. Granular urea is produced at our Donaldsonville, Louisiana; Medicine Hat, Alberta; and Port Neal, Iowa, nitrogen complexes.

The following table presents summary operating data for our granular urea segment:

	Three Months Ended March 31,			
	2019	2018	2019 v. 2018	
	(dollars in millions, except per ton amounts)			
Net sales	$343	$264	$79	30 %
Cost of sales	228	189	39	21 %
Gross margin	$115	$75	$40	53 %
Gross margin percentage	33.5 %	28.4 %	5.1 %	
Sales volume by product tons (000s)	1,184	982	202	21 %
Sales volume by nutrient tons (000s)(1)	545	452	93	21 %
Average selling price per product ton	$290	$269	$21	8 %
Average selling price per nutrient ton(1)	$629	$584	$45	8 %
Gross margin per product ton	$97	$76	$21	28 %
Gross margin per nutrient ton(1)	$211	$166	$45	27 %
Depreciation and amortization	$66	$59	$7	12 %
Unrealized net mark-to-market loss (gain) on natural gas derivatives	$1	$(1)	$2	N/M

N/M—Not Meaningful

(1) Granular urea represents 46% nitrogen content. Nutrient tons represent the tons of nitrogen within the product tons.

First Quarter of 2019 Compared to First Quarter of 2018

Net Sales. Net sales in the granular urea segment increased $79 million, or 30%, in the first quarter of 2019 from the first quarter of 2018 due primarily to a 21% increase in sales volume and an 8% increase in average selling prices. Sales volume was higher due to greater supply availability as a result of increased production in the first quarter of 2019 compared to the comparable period of 2018. Average selling prices increased to $290 per ton in the first quarter of 2019 compared to $269 per ton in the comparable period of 2018 due primarily to the impact of a tighter global nitrogen supply and demand balance entering 2019.

Cost of Sales. Cost of sales in our granular urea segment averaged $193 per ton in both the first quarter of 2019 and 2018, as higher realized natural gas costs were offset by lower utilities and maintenance costs.

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UAN Segment

Our UAN segment produces urea ammonium nitrate solution (UAN). UAN, a liquid fertilizer product with a nitrogen content that typically ranges from 28% to 32%, is produced by combining urea and ammonium nitrate. UAN is produced at our nitrogen complexes in Courtright, Ontario; Donaldsonville, Louisiana; Port Neal, Iowa; Verdigris, Oklahoma; Woodward, Oklahoma; and Yazoo City, Mississippi.

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

	Three Months Ended March 31,			
	2019	2018	2019 v. 2018	
	(dollars in millions, except per ton amounts)			
Net sales	$256	$283	$(27)	(10)%
Cost of sales	195	230	(35)	(15)%
Gross margin	$61	$53	$8	15 %
Gross margin percentage	23.8 %	18.7 %	5.1 %	
Sales volume by product tons (000s)	1,268	1,669	(401)	(24)%
Sales volume by nutrient tons (000s)[1]	396	527	(131)	(25)%
Average selling price per product ton	$202	$170	$32	19 %
Average selling price per nutrient ton[1]	$646	$537	$109	20 %
Gross margin per product ton	$48	$32	$16	50 %
Gross margin per nutrient ton[1]	$154	$101	$53	52 %
Depreciation and amortization	$46	$63	$(17)	(27)%
Unrealized net mark-to-market loss (gain) on natural gas derivatives	$1	$(1)	$2	N/M

N/M—Not Meaningful

(1) UAN represents between 28% and 32% of nitrogen content, depending on the concentration specified by the customer. Nutrient tons represent the tons of nitrogen within the product tons.

First Quarter of 2019 Compared to First Quarter of 2018

Net Sales. Net sales in the UAN segment decreased $27 million, or 10%, in the first quarter of 2019 from the first quarter of 2018 due primarily to a 24% decrease in sales volume, partially offset by a 19% increase in average selling prices. The decline in sales volume was due primarily to customer reluctance to take delivery of UAN due to the delayed spring application season as unfavorable weather conditions negatively impacted the supply and demand balance. Average selling prices increased to $202 per ton in the first quarter of 2019 compared to $170 per ton in the comparable period of 2018 due primarily to the impact of a tighter global nitrogen supply and demand balance entering 2019.

Cost of Sales. Cost of sales in our UAN segment averaged $154 per ton in the first quarter of 2019, a 12% increase from $138 per ton in the comparable period of 2018 primarily driven by higher realized natural gas costs and higher freight costs due to the mix of transportation modes.

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AN Segment

Our AN segment produces ammonium nitrate (AN). AN is a nitrogen-based product with a nitrogen content between 29% and 35%. AN is used as nitrogen fertilizer and is also used by industrial customers for commercial explosives and blasting systems. AN is produced at our nitrogen complexes in Yazoo City, Mississippi and Ince and Billingham, United Kingdom.

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

	Three Months Ended March 31,			
	2019	2018	2019 v. 2018	
	(dollars in millions, except per ton amounts)			
Net sales	$127	$100	$27	27 %
Cost of sales	114	74	40	54 %
Gross margin	$13	$26	$(13)	(50)%
Gross margin percentage	10.2 %	26.0 %	(15.8)%	
Sales volume by product tons (000s)	501	417	84	20 %
Sales volume by nutrient tons (000s)(1)	166	140	26	19 %
Average selling price per product ton	$253	$240	$13	5 %
Average selling price per nutrient ton(1)	$765	$714	$51	7 %
Gross margin per product ton	$26	$62	$(36)	(58)%
Gross margin per nutrient ton(1)	$78	$186	$(108)	(58)%
Depreciation and amortization	$22	$18	$4	22 %
Unrealized net mark-to-market (gain) loss on natural gas derivatives	$—	$—	$—	— %

(1) Nutrient tons represent the tons of nitrogen within the product tons.

First Quarter of 2019 Compared to First Quarter of 2018

Net Sales. Net sales in our AN segment increased $27 million, or 27%, in the first quarter of 2019 from the first quarter of 2018 due primarily to a 20% increase in sales volume and a 5% increase in average selling prices. Sales volume was higher due primarily to an earlier start of the spring application season in the United Kingdom in 2019 compared to the delayed start in 2018 due to unfavorable weather conditions. Average selling prices increased to $253 per ton in the first quarter of 2019 compared to $240 per ton in the comparable period of 2018 due primarily to the impact of a tighter global nitrogen supply and demand balance.

Cost of Sales. Cost of sales in our AN segment averaged $227 per ton in the first quarter of 2019, a 28% increase from $178 per ton in the comparable period of 2018. The increase was due primarily to higher costs related to plant maintenance activities. Additionally, the settlement of an energy rebate of $5 million was recognized in the first quarter of 2018.

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Other Segment

Our Other segment primarily includes the following products:

- Diesel exhaust fluid (DEF) is an aqueous urea solution typically made with 32.5% high-purity urea and 67.5% deionized water.
- Urea liquor is a liquid product that we sell in concentrations of 40%, 50% and 70% urea as a chemical intermediate.
- Nitric acid is a nitrogen-based product with a nitrogen content of 22.2%.
- Compound fertilizer products (NPKs) are solid granular fertilizer products for which the nutrient content is a combination of nitrogen, phosphorus, and potassium.

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

	Three Months Ended March 31,			
	2019	2018	2019 v. 2018	
	(dollars in millions, except per ton amounts)			
Net sales	$88	$98	$(10)	(10)%
Cost of sales	78	86	(8)	(9)%
Gross margin	$10	$12	$(2)	(17)%
Gross margin percentage	11.4 %	12.2 %	(0.8)%	
Sales volume by product tons (000s)	528	571	(43)	(8)%
Sales volume by nutrient tons (000s)(1)	103	111	(8)	(7)%
Average selling price per product ton	$167	$172	$(5)	(3)%
Average selling price per nutrient ton(1)	$854	$883	$(29)	(3)%
Gross margin per product ton	$19	$21	$(2)	(10)%
Gross margin per nutrient ton(1)	$97	$108	$(11)	(10)%
Depreciation and amortization	$17	$17	$—	— %
Unrealized net mark-to-market (gain) loss on natural gas derivatives	$—	$—	$—	— %

(1) Nutrient tons represent the tons of nitrogen within the product tons.

First Quarter of 2019 Compared to First Quarter of 2018

Net Sales. Net sales in our Other segment decreased by $10 million, or 10%, in the first quarter of 2019 from the first quarter of 2018 due to an 8% decrease in sales volume and a 3% decrease in average selling prices. The decrease in sales volume was due primarily to a decrease in NPK production due to plant maintenance activity. The decrease in average selling prices is due primarily to the mix of products sold.

Cost of Sales. Cost of sales in our Other segment averaged $148 per ton in the first quarter of 2019, a 2% decrease from $151 per ton in the first quarter of 2018 due primarily to the mix of products sold.

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CF INDUSTRIES HOLDINGS, INC.

Liquidity and Capital Resources
Our primary uses of cash are generally for operating costs, working capital, capital expenditures, debt service, investments, taxes, share repurchases and dividends. Our working capital requirements are affected by several factors, including demand for our products, selling prices, raw material costs, freight costs and seasonal factors inherent in the business. Generally, our primary source of cash is cash from operations, which includes cash generated by customer advances. We may also from time to time access the capital markets or engage in borrowings under our credit agreement.
During the first quarter of 2019, we repurchased approximately 1.5 million shares of our common stock for $60 million. See discussion under “Share Repurchase Programs,” below, for further information.
At March 31, 2019, we were in compliance with all applicable covenant requirements under our Revolving Credit Agreement, Public Senior Notes and Senior Secured Notes. There were no borrowings outstanding under the Revolving Credit Agreement as of March 31, 2019 or December 31, 2018, or during the three months ended March 31, 2019. See discussion under “Debt,” below, for further information.
Our cash and cash equivalents balance was $671 million and $682 million as of March 31, 2019 and December 31, 2018, respectively.
Cash Equivalents
Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. Under our short-term investment policy, we may invest our cash balances, either directly or through mutual funds, in several types of investment-grade securities, including notes and bonds issued by governmental entities or corporations. Securities issued by governmental entities include those issued directly by the U.S. and Canadian federal governments; those issued by state, local or other governmental entities; and those guaranteed by entities affiliated with governmental entities.
Share Repurchase Programs
On August 1, 2018, the Board authorized the repurchase of up to $500 million of CF Holdings common stock through June 30, 2020 (the 2018 Share Repurchase Program). In 2018, we completed the 2018 Share Repurchase Program with the repurchase of 10.9 million shares for $500 million, of which $33 million was accrued and unpaid at December 31, 2018. In February 2019, we retired all 10.9 million shares that were repurchased under the 2018 Share Repurchase Program.

On February 13, 2019, the Board authorized the repurchase of up to $1 billion of CF Holdings common stock through December 31, 2021 (the 2019 Share Repurchase Program). Repurchases under the 2019 Share Repurchase Program may be made from time to time in the open market, through privately negotiated transactions, block transactions or otherwise. The manner, timing and amount of repurchases will be determined by our management based on the evaluation of market conditions, stock price, and other factors. In the first quarter of 2019, we repurchased approximately 1.5 million shares for $60 million, of which $6 million was accrued and unpaid at March 31, 2019. At March 31, 2019, we held 1,546,005 shares of treasury stock.

Capital Spending
We make capital expenditures to sustain our asset base, increase our capacity, improve plant efficiency and comply with various environmental, health and safety requirements. Capital expenditures totaled $80 million in the first three months of 2019 compared to $68 million in the first three months of 2018.
Capital expenditures in 2019 are estimated to be in the range of $400 to $450 million. Planned capital expenditures are subject to change due to delays in regulatory approvals or permitting, unanticipated increases in cost, changes in scope and completion time, performance of third parties, delay in the receipt of equipment, adverse weather, defects in materials and workmanship, labor or material shortages, transportation constraints, acceleration or delays in the timing of the work and other unforeseen difficulties.

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CF INDUSTRIES HOLDINGS, INC.

Debt

Revolving Credit Agreement

We have a senior secured revolving credit agreement (the Revolving Credit Agreement) providing for a revolving credit facility of up to $750 million with a maturity of September 18, 2020. The Revolving Credit Agreement includes a letter of credit sub-limit of $125 million. Borrowings under the Revolving Credit Agreement may be used for working capital and general corporate purposes. CF Industries is the borrower under the Revolving Credit Agreement and may also designate as borrowers one or more wholly owned subsidiaries that are organized in the United States or any state thereof, or the District of Columbia.

Borrowings under the Revolving Credit Agreement may be denominated in U.S. dollars, Canadian dollars, euro and British pounds, and bear interest at a per annum rate equal to an applicable eurocurrency rate or base rate plus, in either case, a specified margin, and the borrowers are required to pay an undrawn commitment fee on the undrawn portion of the commitments under the Revolving Credit Agreement and customary letter of credit fees. The specified margin and the amount of the commitment fee depend on CF Holdings' credit rating at the time.

The guarantors under the Revolving Credit Agreement are currently comprised of CF Holdings and CF Holdings' wholly owned subsidiaries CF Industries Enterprises, LLC (CFE), CF Industries Sales, LLC (CFS), CF USA Holdings, LLC (CF USA) and CF Industries Distribution Facilities, LLC (CFIDF).

As of March 31, 2019, we had excess borrowing capacity under the Revolving Credit Agreement of $750 million and no outstanding letters of credit. In addition, there were no borrowings outstanding under the Revolving Credit Agreement as of March 31, 2019 or December 31, 2018, or during the three months ended March 31, 2019.

The Revolving Credit Agreement contains representations and warranties and affirmative and negative covenants, including financial covenants. As of March 31, 2019, we were in compliance with all covenants under the Revolving Credit Agreement.

Letters of Credit

In addition to the letter of credit capacity under the Revolving Credit Agreement, as described above, we have also entered into a bilateral agreement with capacity to issue letters of credit up to $145 million (reflecting an increase of $20 million in January 2019). As of March 31, 2019, approximately $127 million of letters of credit were outstanding under this agreement.

Senior Notes

Long-term debt presented on our consolidated balance sheets as of March 31, 2019 and December 31, 2018 consisted of the following Public Senior Notes (unsecured) and Senior Secured Notes issued by CF Industries:

		March 31, 2019		**December 31, 2018**	
	Effective Interest Rate	**Principal**	**Carrying Amount (1)**	**Principal**	**Carrying Amount (1)**
		(in millions)			
Public Senior Notes:					
7.125% due May 2020	7.529%	$500	$498	$500	$497
3.450% due June 2023	3.562%	750	747	750	747
5.150% due March 2034	5.279%	750	740	750	740
4.950% due June 2043	5.031%	750	742	750	741
5.375% due March 2044	5.465%	750	741	750	741
Senior Secured Notes:					
3.400% due December 2021	3.782%	500	495	500	495
4.500% due December 2026	4.759%	750	737	750	737
Total long-term debt		$4,750	$4,700	$4,750	$4,698

(1)

Carrying amount is net of unamortized debt discount and deferred debt issuance costs. Total unamortized debt discount was $10 million and $11 million as of March 31, 2019 and December 31, 2018, respectively, and total deferred debt issuance costs were $40 million and $41 million as of March 31, 2019 and December 31, 2018, respectively.

Public Senior Notes
Under the indentures (including the applicable supplemental indentures) governing our senior notes due 2020, 2023, 2034, 2043 and 2044 identified in the table above (the Public Senior Notes), each series of Public Senior Notes is guaranteed by CF Holdings and CF Holdings' wholly owned subsidiaries CFE, CFS, CF USA and CFIDF. CFE, CFS, CF USA and CFIDF became subsidiary guarantors of the Public Senior Notes as a result of their becoming guarantors under the Revolving Credit Agreement. Interest on the Public Senior Notes is payable semiannually, and the Public Senior Notes are redeemable at our option, in whole at any time or in part from time to time, at specified make-whole redemption prices.

Senior Secured Notes
On November 21, 2016, CF Industries issued $500 million aggregate principal amount of 3.400% senior secured notes due 2021 (the 2021 Notes) and $750 million aggregate principal amount of 4.500% senior secured notes due 2026 (the 2026 Notes, and together with the 2021 Notes, the Senior Secured Notes). CF Holdings and the subsidiary guarantors of the Public Senior Notes are also guarantors of the Senior Secured Notes. Interest on the Senior Secured Notes is payable semiannually on December 1 and June 1, and the Senior Secured Notes are redeemable at our option, in whole at any time or in part from time to time, at specified make-whole redemption prices.

Forward Sales and Customer Advances
We offer our customers the opportunity to purchase products from us on a forward basis at prices and on delivery dates we propose. Therefore, our reported fertilizer selling prices and margins may differ from market spot prices and margins available at the time of shipment.

Customer advances, which typically represent a portion of the contract's value, are received shortly after the contract is executed, with any remaining unpaid amount generally being collected by the time control transfers to the customer, thereby reducing or eliminating the accounts receivable related to such sales. Any cash payments received in advance from customers in connection with forward sales contracts are reflected on our consolidated balance sheets as a current liability until control transfers and revenue is recognized. As of March 31, 2019 and December 31, 2018, we had $301 million and $149 million, respectively, in customer advances on our consolidated balance sheets.

While customer advances are generally a significant source of liquidity, the level of forward sales contracts is affected by many factors including current market conditions and our customers' outlook of future market fundamentals. During periods of declining prices, customers tend to delay purchasing fertilizer in anticipation that prices in the future will be lower than the current prices. If the level of sales under our forward sales programs were to decrease in the future, our cash received from customer advances would likely decrease and our accounts receivable balances would likely increase. Additionally, borrowing under the Revolving Credit Agreement could become necessary. Due to the volatility inherent in our business and changing customer expectations, we cannot estimate the amount of future forward sales activity.

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

Derivative Financial Instruments
We may use derivative financial instruments to reduce our exposure to changes in prices for natural gas that will be purchased in the future. Natural gas is the largest and most volatile component of our manufacturing cost for nitrogen-based fertilizers. From time to time, we also use derivative financial instruments to reduce our exposure to changes in foreign currency exchange rates. Volatility in reported quarterly earnings can result from the unrealized mark-to-market adjustments in the value of the derivatives. As of March 31, 2019 and December 31, 2018, our open derivative contracts consisted of natural gas basis swaps for 2.3 million MMBtus and 6.6 million MMBtus, respectively.

Defined Benefit Pension Plans

We contributed $6 million to our pension plans during the three months ended March 31, 2019. Over the remainder of 2019, we expect to contribute an additional $56 million to our pension plans, or a total of approximately $62 million for the full year 2019.

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Distribution on Noncontrolling Interest in CFN

In the first quarter of 2019, the CFN Board of Managers approved semi-annual distribution payments for the distribution period ended December 31, 2018 in accordance with CFN's limited liability company agreement. On January 31, 2019, CFN distributed $86 million to CHS for the distribution period ended December 31, 2018. The estimate of the partnership distribution earned by CHS, but not yet declared, for the first quarter of 2019 is approximately $47 million.

Cash Flows

Operating Activities

Net cash provided by operating activities during the first three months of 2019 was $306 million as compared to $282 million in the first three months of 2018. The increase of $24 million was due primarily to a $30 million increase in net earnings during the first three months of 2019 partially offset by higher working capital used in the business. The increase in working capital was primarily in the accounts receivable, inventory and accounts payable areas of the business. This working capital usage was partially offset by working capital generated by an increase in customer advances as customers entered into a greater amount of fertilizer contracts with future delivery dates in the first three months of 2019 as compared to the first three months of 2018.

Investing Activities

Net cash used in investing activities was $75 million in the first three months of 2019 as compared to $55 million in the first three months of 2018. During the first three months of 2019, capital expenditures totaled $80 million compared to $68 million in the first three months of 2018.

Financing Activities

Net cash used in financing activities was $242 million in the first three months of 2019 compared to $127 million in the same period of 2018. Dividends paid on common stock during the three months ended March 31, 2019 and 2018 were $67 million and $70 million, respectively. In the first three months of 2019, we spent $87 million to repurchase shares of our common stock, which included approximately $33 million related to shares repurchased in late 2018 that were paid for in 2019. In the first three months of 2019, we repurchased approximately 1.5 million shares for approximately $60 million, of which $6 million was accrued and not yet settled at March 31, 2019. Distributions to noncontrolling interests totaled $86 million in the first quarter of 2019 as compared to $59 million in the first quarter of 2018.

Sale of Pine Bend Facility

In March of 2019, we entered into an agreement to sell our Pine Bend dry bulk storage and logistics facility located in Minnesota. In April of 2019, we completed the sale and received proceeds of $55 million.

Contractual Obligations

As of March 31, 2019, there have been no material changes outside the ordinary course of business to our contractual obligations as described in our 2018 Annual Report on Form 10-K filed with the SEC on February 22, 2019.

Off-Balance Sheet Arrangements

We do not have any 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. See "Recent Accounting Pronouncements," below for a discussion of our recent adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842).

Critical Accounting Policies and Estimates

There were no changes to our significant accounting policies or estimates during the first three months of 2019.

Recent Accounting Pronouncements

See Note 2—New Accounting Standards for a discussion of recent accounting pronouncements, including our January 1, 2019 adoption of ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize the rights and obligations resulting from virtually all leases (other than leases that meet the definition of a short-term lease) on their balance sheets as right-of-use assets with corresponding lease liabilities.

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FORWARD-LOOKING STATEMENTS

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

Important factors that could cause actual results to differ materially from our expectations are disclosed under “Risk Factors” in Item 1A in our 2018 Annual Report on Form 10-K filed with the SEC on February 22, 2019. Such factors include, among others:

- the cyclical nature of our business and the impact of global supply and demand on our selling prices;
- the global commodity nature of our fertilizer products, the conditions in the international market for nitrogen products, and the intense global competition from other fertilizer producers;
- conditions in the U.S. and European agricultural industry;
- the volatility of natural gas prices in North America and Europe;
- difficulties in securing the supply and delivery of raw materials, increases in their costs or delays or interruptions in their delivery;
- reliance on third party providers of transportation services and equipment;
- the significant risks and hazards involved in producing and handling our products against which we may not be fully insured;
- our ability to manage our indebtedness;
- operating and financial restrictions imposed on us by the agreements governing our senior secured indebtedness;
- risks associated with our incurrence of additional indebtedness;
- our ability to maintain compliance with covenants under the agreements governing our indebtedness;
- downgrades of our credit ratings;
- risks associated with cyber security;
- weather conditions;
- risks associated with changes in tax laws and disagreements with taxing authorities;
- our reliance on a limited number of key facilities;
- potential liabilities and expenditures related to environmental, health and safety laws and regulations and permitting requirements;
- future regulatory restrictions and requirements related to greenhouse gas emissions;
- risks associated with expansions of our business, including unanticipated adverse consequences and the significant resources that could be required;

- the seasonality of the fertilizer business;
- the impact of changing market conditions on our forward sales programs;
- risks involving derivatives and the effectiveness of our risk measurement and hedging activities;
- risks associated with the operation or management of the CHS strategic venture, risks and uncertainties relating to the market prices of the fertilizer products that are the subject of our supply agreement with CHS over the life of the supply agreement, and the risk that any challenges related to the CHS strategic venture will harm our other business relationships;
- risks associated with our PLNL joint venture;
- acts of terrorism and regulations to combat terrorism;
- risks associated with international operations; and
- deterioration of global market and economic conditions.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There were no significant changes to our quantitative and qualitative disclosures about market risk during the three months ended March 31, 2019. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our 2018 Annual Report on Form 10-K filed with the SEC on February 22, 2019 for a more complete discussion of the market risks we encounter.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Disclosure Controls and Procedures. The Company’s management, with the participation of the Company’s principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company’s principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective in (i) ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting. Except as set forth below, there have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

During the quarter ended March 31, 2019, we implemented a new lease accounting system and process as a result of our January 1, 2019 adoption of ASU No. 2016-02, Leases (Topic 842). Although the adoption of the new lease accounting standard did not have a material impact on our consolidated statement of operations or consolidated statement of cash flows for the three months ended March 31, 2019, we did implement changes to our internal processes and controls to reflect the impact of ASU No. 2016-02 (Topic 842), including calculating the right-of-use assets and lease liabilities recorded on our March 31, 2019 consolidated balance sheet.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

West Fertilizer Co.

On April 17, 2013, there was a fire and explosion at the West Fertilizer Co. fertilizer storage and distribution facility in West, Texas. According to published reports, 15 people were killed and approximately 200 people were injured in the incident, and the fire and explosion damaged or destroyed a number of homes and buildings around the facility. Various subsidiaries of CF Industries Holdings, Inc. (the CF Entities) were named as defendants along with other companies in lawsuits filed in 2013, 2014 and 2015 in the District Court of McLennan County, Texas by the City of West, individual residents of the County and other parties seeking recovery for damages allegedly sustained as a result of the explosion. The cases were consolidated for discovery and pretrial proceedings in the District Court of McLennan County under the caption “In re: West Explosion Cases.” The two-year statute of limitations expired on April 17, 2015. As of that date, over 400 plaintiffs had filed claims, including at least 9 entities, 325 individuals, and 80 insurance companies. Plaintiffs allege various theories of negligence, strict liability, and breach of warranty under Texas law. Although we do not own or operate the facility or directly sell our products to West Fertilizer Co., products that the CF Entities manufactured and sold to others were delivered to the facility and may have been stored at the West facility at the time of the incident.

The Court granted in part and denied in part the CF Entities’ Motions for Summary Judgment in August 2015. Over two hundred cases have been resolved pursuant to confidential settlements that have been or we expect will be fully funded by insurance. The remaining cases are in various stages of discovery and pre-trial proceedings. The next group of cases was reset for trial beginning on July 23, 2019. We believe we have strong legal and factual defenses and intend to continue defending the CF Entities vigorously in the pending lawsuits. The Company cannot provide a range of reasonably possible loss due to the lack of damages discovery for many of the remaining claims and the uncertain nature of this litigation, including uncertainties around the potential allocation of responsibility by a jury to other defendants or responsible third parties. The recognition of a potential loss in the future in the West Fertilizer Co. litigation could negatively affect our results in the period of recognition.

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CF INDUSTRIES HOLDINGS, INC.

However, based upon currently available information, including available insurance coverage, we do not believe that this litigation will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table sets forth stock repurchases, on a trade date basis, for each of the three months of the quarter ended March 31, 2019.

Issuer Purchases of Equity Securities

Period	Total number of shares (or units) purchased	Average price paid per share (or unit)(1)	Total number of shares (or units) purchased as part of publicly announced plans or programs (2)	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (in thousands) (2)
January 1, 2019 - January 31, 2019	44,043	$42.03	—	$ —
February 1, 2019 - February 28, 2019	315	42.42	—	1,000,000
March 1, 2019 - March 31, 2019	1,501,647 (3)	41.24	1,455,786	940,001
Total	1,546,005	$41.26	1,455,786	

(1) Average price paid per share of CF Industries Holdings, Inc. (CF Holdings) common stock repurchased under the 2019 Stock Repurchase Program, as defined below, is the execution price, excluding commissions paid to brokers.

(2) On February 13, 2019, our Board of Directors authorized management to repurchase CF Holdings common stock for a total expenditure of up to $1 billion through December 31, 2021 (the 2019 Stock Repurchase Program). This program is discussed in Note 15—Stockholders' Equity, in the notes to the unaudited consolidated financial statements included in Part I.

(3) Includes 45,861 shares withheld to pay employee tax obligations upon the lapse of restrictions on restricted stock units and performance restricted stock units.

ITEM 6. EXHIBITS.

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

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page 50 of
this report.

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EXHIBIT INDEX

Exhibit No.	Description
4.1	Third Supplement to Second Supplemental Indenture, dated as of March 22, 2019, among CF Industries, Inc., CF Industries Holdings, Inc. and the other guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to CF Industries, Inc.’s 7.125% Senior Notes due 2020
4.2	Third Supplement to First Supplemental Indenture, dated as of March 22, 2019, among CF Industries, Inc., CF Industries Holdings, Inc. and the other guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to CF Industries, Inc.’s 3.450% Senior Notes due 2023
4.3	Third Supplement to Second Supplemental Indenture, dated as of March 22, 2019, among CF Industries, Inc., CF Industries Holdings, Inc. and the other guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to CF Industries, Inc.’s 4.950% Senior Notes due 2043
4.4	Third Supplement to Third Supplemental Indenture, dated as of March 22, 2019, among CF Industries, Inc., CF Industries Holdings, Inc. and the other guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to CF Industries, Inc.’s 5.150% Senior Notes due 2034
4.5	Third Supplement to Fourth Supplemental Indenture, dated as of March 22, 2019, among CF Industries, Inc., CF Industries Holdings, Inc. and the other guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to CF Industries, Inc.’s 5.375% Senior Notes due 2044
4.6	Second Supplemental Indenture, dated as of March 22, 2019, among CF Industries, Inc., CF Industries Distribution Facilities, LLC and Wells Fargo Bank, National Association, as trustee and as collateral agent, relating to CF Industries, Inc.’s 3.400% Senior Secured Notes due 2021
4.7	Second Supplemental Indenture, dated as of March 22, 2019, among CF Industries, Inc., CF Industries Distribution Facilities, LLC and Wells Fargo Bank, National Association, as trustee and as collateral agent, relating to CF Industries, Inc.’s 4.500% Senior Secured Notes due 2026
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from CF Industries Holdings, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (1) Consolidated Statements of Operations, (2) Consolidated Statements of Comprehensive Income, (3) Consolidated Balance Sheets, (4) Consolidated Statements of Equity, (5) Consolidated Statements of Cash Flows, and (6) the Notes to Unaudited Consolidated Financial Statements

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CF INDUSTRIES HOLDINGS, INC.

SIGNATURES

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

		CF INDUSTRIES HOLDINGS, INC.
Date: May 2, 2019	By:	/s/ W. ANTHONY WILL
		W. Anthony Will
		President and Chief Executive Officer
		(Principal Executive Officer)
Date: May 2, 2019	By:	/s/ DENNIS P. KELLEHER
		Dennis P. Kelleher
		Senior Vice President and Chief Financial Officer (Principal Financial Officer)