
# CF Industries™

**CF INDUSTRIES HOLDINGS, INC.**
2006 Annual Report to Stockholders

# Q&A:

A conversation with CF Industries Holdings, Inc. Chairman and Chief Executive Officer Steve Wilson

# ABOUT CF INDUSTRIES HOLDINGS, INC.

CF Industries Holdings, Inc. (NYSE: CF), through its CF Industries, Inc. subsidiary, is one of North America's largest manufacturers and distributors of nitrogen and phosphate fertilizer products: products that provide essential nutrients to increase the yield and quality of crops.

Founded in 1946 as a fertilizer brokerage operation by a group of regional agricultural cooperatives, CF Industries grew by expanding its distribution capabilities and diversifying into fertilizer manufacturing. In August of 2005, the company completed its Initial Public Offering and its common stock began trading on the New York Stock Exchange.

The company's operations are organized into two segments: the nitrogen fertilizer business and the phosphate fertilizer business. CF Industries is headquartered in Deerfield, Illinois and employs more than 1,400 people companywide.

**About the Cover Photos**

They track the connection between CF Industries' largest product line, nitrogen fertilizer, and a leading market driver for the industry today, ethanol. Nitrogen is produced by CF Industries at two manufacturing complexes and stored at in-market terminals such as one in Garner, Iowa (far left photo). It is an essential nutrient for growing corn, the primary raw material for ethanol production. Farmers typically apply (second photo from left) more than 130 pounds of nitrogen per planted acre of corn. Of the nearly 12 billion bushels of corn (second photo from right) estimated by the U.S. Department of Agriculture to be produced in 2007, approximately 3 billion bushels will be used to produce ethanol this year.

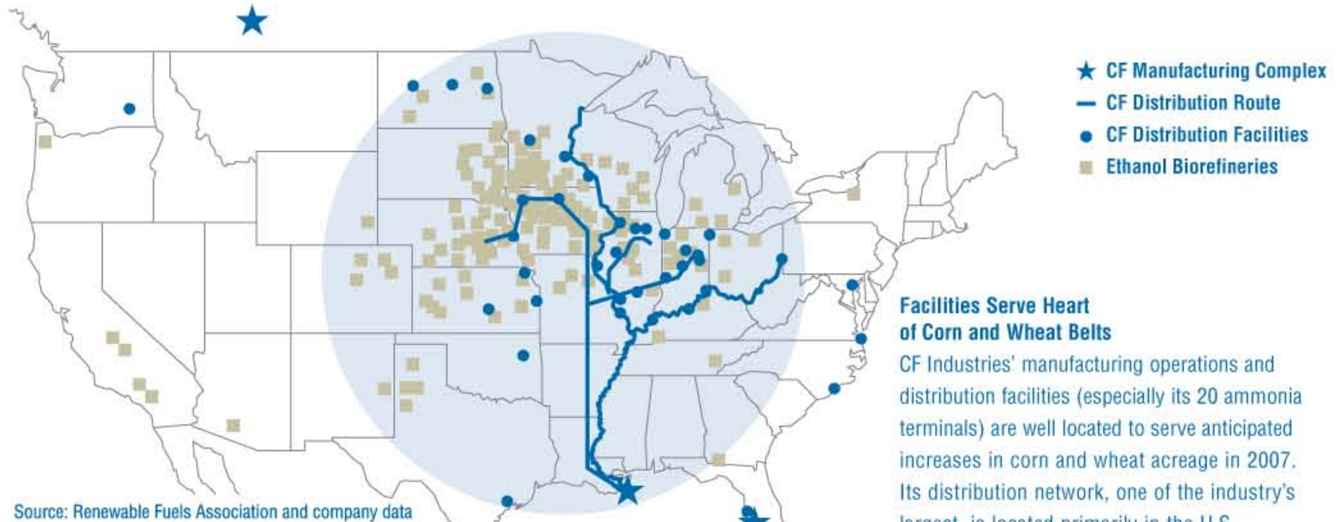
## In This Year's Annual Report To Stockholders…

Chairman and Chief Executive Officer Stephen R. Wilson sits down for an extended conversation, answering many questions asked during the numerous investor conferences he regularly participates in to tell the CF Industries story. You'll find the Q&A beginning on Page 4 of this report. In this report, you'll also read about some of the CF Industries people who played important roles in the company's 2006 performance.

These employees at CF Industries' Central Florida phosphate operations led the effort to gain an extension of the local development authorization for the company's Hardee County rock mine. Read about them and other employees whose dedication contributed to 2006's performance beginning on Page 4.

# CAPITALIZING ON A STRENGTHENING NORTH AMERICAN FERTILIZER MARKET

Entering 2007, major segments of American agriculture are facing some of the strongest market conditions, crop prices, and planting plans in recent years. Mandated growth in the use of ethanol is expected to drive significantly higher U.S. corn acreage, not just in 2007, but for several years to come. Most ethanol produced in the U.S. is made from corn. Achieving profitable corn yields requires farmers to use nitrogen fertilizer, CF Industries' largest product line. The company's fertilizer distribution network, one of the largest in North America and centered in the U.S. Corn Belt, is well positioned to capitalize on increased corn acreage. But there's more to the story than just ethanol. Low worldwide stocks of corn and wheat are expected to add further strength to crop demand, planted acreage, and fertilizer application rates. Combine that with improving relationships in world natural gas markets and we believe that 2007 could present an attractive opportunity for CF Industries.




Source: Renewable Fuels Association and company data

**Facilities Serve Heart of Corn and Wheat Belts**

CF Industries' manufacturing operations and distribution facilities (especially its 20 ammonia terminals) are well located to serve anticipated increases in corn and wheat acreage in 2007. Its distribution network, one of the industry's largest, is located primarily in the U.S. Midwest, where ethanol production is driving increased corn demand.

This tract of land in Central Florida, on the Hickey Branch of Payne Creek, underwent reclamation after mining by CF Industries, meeting strict standards of Hardee County and the Florida Department of Environmental Protection.

Mining rock is the first step in producing phosphate fertilizers. The final step is reclaiming mined and disturbed land. In Hardee County, CF Industries has reclaimed nearly 1,650 acres, creating wetlands, pasture, and agricultural lands. One environmentalist paid the company an unintended compliment when he toured the Hickey Branch site (pictured above), asking, "How could you even think of mining beautiful land like this?" He was looking at land that had already been mined and reclaimed.

## Nitrogen Business

### Donaldsonville Nitrogen Complex Donaldsonville, Louisiana

- Four Ammonia Plants
- Four Urea Plants
- Two UAN Plants
- Deep Water Dock Facilities

**Annual Capacities**

- 2.3 Million Tons of Ammonia*
- 2.6 Million Tons of Liquid Urea**
- 1.7 Million Tons of Granular Urea***
- 2.7 Million Tons of UAN (at 28% Nitrogen)

**Capabilities**

- North America's largest nitrogen fertilizer complex
- Significant production flexibility
- Modular configuration and product import capability
- Access to pipeline, rail, and barge transport to inland markets

**2006 Accomplishments**

- Completed turnaround of No. 1 Ammonia Plant, including installation of new computer-based control system
- Operated at 98 percent-plus of planned production availability
- Continued no-lost-time-accidents status begun in October of 2002

### Medicine Hat Nitrogen Complex Medicine Hat, Alberta

- Two Ammonia Plants
- One Urea Plant

**Annual Capacities**

- 1.3 Million Tons of Ammonia*
- 810,000 Tons of Granular Urea

**Capabilities**

- Canada's largest nitrogen fertilizer complex
- Joint venture operated by CF Industries
- Access to northern-tier U.S. and western Canadian markets
- Benefits from lower cost Alberta natural gas

**2006 Accomplishments**

- Completed turnaround and upgrade of urea plant
- Celebrated 30th anniversary with community open house
- Continued no-lost-time-accidents status begun in May of 2005

## Phosphate Business

### Phosphate Rock Mine and Beneficiation Plant Hardee County, Florida

- Two Rock Mining Draglines
- Phosphate Rock Beneficiation Plant

**Annual Capacities**

- 3.5 Million Tons of Phosphate Rock

**Capabilities**

- Newest rock mine and beneficiation plant in U.S.
- 25 years of rock reserves****

**2006 Accomplishments**

- Achieved record phosphate rock production of 3.8 million tons
- Authorization to mine and reclaim phosphate rock reserves extended
- Continued no-lost-time-accidents status begun in November of 2004

### Ammonium Phosphate Fertilizer Complex Plant City, Florida

- Produces Diammonium Phosphate (DAP) and Monoammonium Phosphate (MAP)

**Annual Capacities**

- 2.0 Million Tons of DAP/MAP

**Capabilities**

- One of largest integrated U.S. phosphate fertilizer complexes
- Access to ammonia and export markets through Port of Tampa
- Access to rail and truck transportation

**2006 Accomplishments**

- Achieved second highest production level in 41 years of plant operations
- Continued no-lost-time-accidents status begun in December of 2003

### Dry Products Warehouse and Ammonia Terminal Tampa, Florida

- DAP and MAP Warehouse
- Deep Water Port Facility
- Ammonia Storage Terminal

**Annual Capacities**

- 1.6 Million Tons (Annual Throughput) of DAP/MAP
- 1.0 Million Tons (Annual Throughput) of Ammonia

**Capabilities**

- Water transport to domestic and export markets
- Access to world markets for ammonia used in production of ammoniated phosphates

**2006 Accomplishments**

- Exceeded 1.3 million tons of phosphate shipments for first time since 1994
- Continued no-lost-time-accidents status begun in November of 2004

* Includes amounts upgraded to urea and UAN solution
** Includes amounts upgraded to UAN solution
*** At full UAN capacity; 2.0 million tons at reduced UAN rates
**** 16 years of reserves are fully permitted

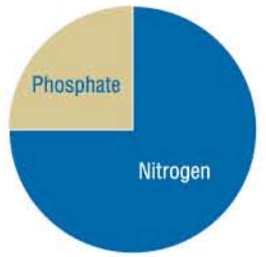
# FINANCIAL HIGHLIGHTS

In 2006, CF Industries reported net earnings of $33.3 million, or $0.60 per common share. This compared to a net loss of $39.0 million, or $0.71 per share, in 2005. The 2005 loss was primarily the result of items related to the company's Initial Public Offering.

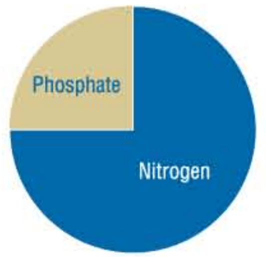
- Net sales rose 2 percent to exceed $1.9 billion
- Nitrogen segment sales of nearly $1.5 billion were comparable to 2005's totals. Phosphate segment sales of $482.3 million rose 10 percent compared to 2005
- Company ended 2006 with $4.2 million in long-term debt
- At December 31, 2006, gross cash and short-term investments totaled $325.6 million, up from $216.7 at year-end 2005

| FINANCIAL HIGHLIGHTS (dollars in millions) | 2006 | 2005 | 2004 |
|---|---|---|---|
| FOR THE YEAR | | | |
| Net sales | $ 1,949.5 | $ 1,908.4 | $ 1,650.7 |
| Gross margin | 147.2 | 209.2 | 216.1 |
| Net earnings (loss) | 33.3 | (39.0) | 67.7 |
| Capital expenditures | 59.3 | 69.4 | 33.7 |
| AT YEAR-END | | | |
| Cash, cash equivalents and short-term investments | $ 325.6 | $ 216.7 | $ 419.3 |
| Working capital | 279.7 | 211.6 | 339.5 |
| Total assets | 1,290.4 | 1,228.1 | 1,556.7 |
| Customer advances | 102.7 | 131.6 | 211.5 |
| Total debt | 4.2 | 4.2 | 258.8 |
| Stockholders' equity | 767.0 | 755.9 | 787.3 |
| Number of shares outstanding | 55,172,101 | 55,027,723 | N.A. |
| **SEGMENT INFORMATION** | | | |
| NITROGEN FERTILIZER | | | |
| Net sales | $ 1,467.2 | $ 1,469.7 | $ 1,273.9 |
| Gross margin | 98.5 | 172.9 | 193.8 |
| Gross margin percentage | 6.7% | 11.8% | 15.2% |
| PHOSPHATE FERTILIZER | | | |
| Net sales | $ 482.3 | $ 438.7 | $ 376.8 |
| Gross margin | 48.7 | 36.3 | 22.3 |
| Gross margin percentage | 10.1% | 8.3% | 5.9% |

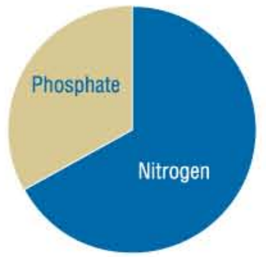
**NET SALES BY SEGMENT**




**SALES VOLUME BY SEGMENT**




**GROSS MARGIN BY SEGMENT**



# LETTER TO STOCKHOLDERS

## Dear Fellow Stockholder:

We've just completed a year that began with some observers questioning the long-term viability of the North American nitrogen fertilizer industry. Yet today, there's a burgeoning recognition that changes in industry fundamentals have created significant opportunities for us. In fact, some investors have asked recently whether we have idle capacity available to bring back on line. (We do not!)

Many of those opportunities are centered on the "sweet spot" of CF Industries' market: the United States' Corn Belt. Of course there are persistent challenges, but we are committed to addressing them and creating long-term value for our stockholders.

## A Challenging Start to 2006

CF Industries began 2006 facing what we've referred to as a "hurricane hangover." Late summer 2005 Gulf Coast hurricanes drove domestic natural gas prices – and nitrogen fertilizer prices – to levels at which many customers could not justify major purchase commitments. We reduced operating levels at our Donaldsonville, Louisiana nitrogen complex, meeting many commitments with product purchased at better, though marginal, economics.

Our Florida phosphate business, less sensitive to natural gas prices, maintained high operating rates and positive margins during this period. Our Medicine Hat, Alberta nitrogen complex, fed by lower-priced Canadian natural gas, also maintained good operating levels. However, their performances could not offset the challenges. As a result, we reported a net loss for the first quarter.

## Caution, Then Confidence

Moderating natural gas prices, improving production economics, and a rebound in demand helped the company return to profitability in the second quarter.

We entered the third quarter playing a bit of a "game of chicken." Our third quarter was profitable, but many customers remained on the sidelines with their fall 2006 and spring 2007 orders, anticipating that moderating natural gas prices would bring further declines in fertilizer prices, especially for nitrogen.

However, the fourth quarter saw a strong fall ammonia application season and the convergence of a number of positive developments that have continued into the spring of 2007. For the year, we reported net earnings of $33.3 million, or $0.60 per common share, compared to a net loss of $39.0 million, or $0.71 per share, in the previous year, primarily due to 2005 IPO-related items.

I'm proud of our 2006 performance, particularly after the difficult first quarter. In a challenging year, we delivered good financial results, and we worked to position the company to capitalize on the expected strength in 2007. I believe the financial community has recognized our performance and prospects, as the price of our common stock increased significantly during the fourth quarter of 2006 and set new highs during the early months of 2007.

One positive development is certainly the rapid growth of ethanol production. The Renewable Fuels Association reports that, to meet mandated usage levels, corn-based ethanol capacity will more than double to 11.4 billion gallons annually by mid-2008. Corn is one of the more intensively fertilized crops in North America.

Increased corn demand comes when world ending stocks for this crop are at their lowest levels since the mid-1970s, according to the U.S. Department of Agriculture. Compounding the situation, fewer planted acres and lower yields brought the 2006 U.S. corn crop in well below expectation.

Reflecting this tightness, U.S. farm level corn prices jumped more than 50 percent during the year, closing at a December 2006 average of more than $3.00 per bushel. Early in 2007, Doane Agricultural Services estimated that planted corn acreage would jump from 78.3 million acres in 2006 to 87.1 million acres in 2007. Low worldwide wheat stocks are expected to drive increased acreage for that crop, too. On top of all that, high grain prices should encourage growers to increase fertilizer application rates to more normal levels to maximize yields. For example, nitrogen application rates are predicted to reach 134 pounds per planted acre of corn in 2007, up 6 percent from last year.

## A New Competitiveness

I'm excited about these opportunities and the fact that we, as a nation, are beginning to address one of the major issues that has tormented the domestic nitrogen fertilizer industry.

In March of 2007, CF Industries moved its corporate headquarters into leased space in this building in Deerfield, Illinois. The new headquarters, smaller than the company's underutilized facility in Long Grove, Illinois, is closer to downtown Chicago, airports, and major highways. CF Industries has put its former headquarters property up for sale.

The issue is the price of natural gas. Nitrogen fertilizer production requires huge amounts of natural gas as a feedstock. For years, our federal government has encouraged use of environmentally-clean natural gas but has systematically restricted exploration and development.

However, the landscape is changing. December brought passage of the Gulf of Mexico Energy Security Act of 2006. This landmark legislation, strongly supported by CF Industries, opens extensive new reserves to exploration and development.

Worldwide investment in liquefied natural gas (LNG) production, transportation, and storage facilities, including a number of terminals in the U.S. Gulf Coast region, is adding new supplies and beginning to create a more global market for natural gas.

Yet issues remain. For years, the U.S. nitrogen industry has had to compete against countries where competitors received natural gas from state-controlled sources at less-than-commercial rates. I'm encouraged to see that practice changing in some countries, but in others – notably Russia – nitrogen producers continue to receive natural gas at government-set below-market prices. Reform of these practices is critical to achieving a truly level playing field in this industry.

The best assets win on a level playing field, and we believe our nitrogen and phosphate operations are all world-class. Add in our Corn Belt-based distribution system and we believe we have a great opportunity to capitalize on the expected opportunities facing us.

## An Important Milestone

In 2006, we completed the entire year without a single lost-time accident at any CF Industries location. In fact, our incidence rate for injuries, illnesses, and lost workdays was 53 percent below the overall average for American industry. Just as impressively, by the end of 2006, ten of the company's distribution facilities had achieved 30 years or more – and counting – without a single lost-time accident. In fact, four of those were at 40 years plus!

The corporate safety achievement is really a collection of some 1,400 individual achievements by each and every CF Industries employee. It results from their attention to safe practices observed on a continuous basis. And it is an absolute priority, up to and including senior management.

## A Word of Thanks

Coping with the challenges of a volatile 2006 and positioning the company to take advantage of 2007's opportunities required the committed, dedicated efforts of our employees in the U.S. and Canada. I want to thank them for their efforts, personally and on behalf of our stockholders. I also thank the other members of our Board of Directors; their counsel and support were invaluable in navigating this exciting, challenging, and successful year. And finally, I thank you – our stockholders – for your belief in this company's future.

Sincerely,

S. R. Wilson

Stephen R. Wilson
Chairman and Chief Executive Officer
April 4, 2007

# A CONVERSATION WITH THE CHAIRMAN AND CEO

During 2006, Chairman and Chief Executive Officer Steve Wilson met with hundreds of investors at nearly a dozen investor conferences. In this extended interview, Wilson addresses questions of current interest among members of the financial community.

### Q. You said in last year's Annual Report that maintaining "flexibility" and "discipline" would be critical to 2006's financial performance. Did you achieve that objective?

**A.** I think so. Going in to the first quarter facing high production costs, we had reduced operating levels in the nitrogen business and capitalized on our "make versus buy" capability. But we kept our options open, too. There were some forecasts that natural gas prices would remain abnormally high well into 2006 and that reduced domestic production would eventually create a shortage of nitrogen fertilizer in the spring. We exercised discipline, purchasing much of what we needed to meet commitments, but refusing to over-extend ourselves by building speculative inventory. We maintained the option to bring production back quickly when natural gas prices moderated, which they did earlier than many expected. By the end of the first quarter, we had smoothly resumed full production of nitrogen products at improving economics and, because we hadn't over-committed on product purchases, we were able to maintain capacity operations for the rest of the year. Of course, the dynamics of the phosphate business are different from nitrogen's, providing us with a significant element of diversification. We maintained near-capacity operations and good margins throughout the year in phosphate.

I'll add one more thing that was critical to our 2006 performance, and that's teamwork. Whether it was balancing "make versus buy" decisions early in the year, bringing our nitrogen complexes back to full production smoothly when conditions improved, meeting strong customer demand during the fall ammonia application season, or working to develop and advance the company's long-range strategic initiatives, I'm proud of the way our people worked together. Early on, we dealt effectively with a challenging marketplace.

*Behind 2006's Performance*

## Breaking A 25-Year Logjam On Natural Gas Exploration

CF Industries' Rosemary O'Brien, at left, played an important role in helping pass landmark natural gas legislation in 2006. At the podium is Sen. Pete Domenici (R-NM) and, next to him, Sen. Mary Landrieu (D-LA), holding a news conference in the Senate's historic Mansfield Room to discuss the natural gas situation, just prior to a floor vote on the Senate bill.

On December 20, 2006, the Gulf of Mexico Energy Security Act of 2006 opened significant new areas of the U.S. Outer Continental Shelf to natural gas and oil exploration. Rosemary O'Brien, CF Industries' Washington-based vice president, public affairs, played an important part in securing its passage. Her primary role was to help put an "agricultural face" on the issue.

"Farmers' biggest – and probably least understood – use of natural gas comes in the form of nitrogen fertilizer," O'Brien says. Natural gas is the feedstock for manufacturing nitrogen fertilizer. Farmers apply more than 130 pounds of nitrogen per acre of corn. Multiply that by the expected more than 87 million acres of corn to be planted this year, add in nitrogen used for other crops, and you begin to grasp the importance to farmers. And to CF Industries, which can use more than 360,000 MMBtu of natural gas each day to make fertilizers farmers need.

Prior to this legislation, 25 years of Congressional moratoria and 16 years of overlapping Presidential action had banned oil and natural gas drilling off 85 percent of

Later, we moved toward a transition to what is expected to be a strong 2007.

## Q. What were the factors responsible for phosphate's good 2006 performance?

**A.** There were a couple of key factors. We've seen sizable reductions in North American phosphate capacity during the last several years. In one instance, a fertilizer producer was no longer able to acquire sufficient phosphate rock supplies to continue operating its chemical plant. In another, a large producer decided to rationalize some capacity. There were also some unplanned domestic capacity outages at other producers.

But while North American capacity has been reduced, the year saw increased demand for phosphate, especially in the upper Midwest, where we experienced a good fall application season. Our export sales for phosphate also grew modestly during the year.

Incidentally, with the increasing difficulty in permitting new phosphate reserves, I believe the availability of a proven rock supply is becoming the primary value driver in this business. I view our strong reserve position – 16 years fully permitted and 25 years of total reserves – as an important positive for CF Industries. During 2006, we successfully extended the development authorization for our Hardee County rock mine. [See "Winning Critical Development Approvals for our Florida Phosphate Operations" on Page 8 for more information.]

## Q. Customer sentiment seemed to change very quickly in the fourth quarter of 2006, apparently positioning the company for a strong 2007 spring season. What happened?

**A.** To a large degree, it gets back to that "hurricane hangover." In the wake of Katrina and Rita, 2006 spring demand for nitrogen was distorted – depressed, actually – by historically high natural gas and nitrogen fertilizer prices. The growing

the nation's coastline. In 2000, domestic natural gas prices began increasing, spiking to more than $15 per MMBtu by late 2005, far above historical levels and well above even the higher levels of the previous few years. With tremendous cost pressure on nitrogen prices, farmers became increasingly concerned.

To many people, the debate over exploration was mistakenly seen mainly as pitting environmentalists against "Big Oil." To rectify that, O'Brien and CF Industries formed the Agriculture Energy Alliance (AEA), gathering companies, farm groups, customers, suppliers, and state and national agricultural associations to educate people about the agriculture/natural gas connection and to urge them to participate in the legislative and regulatory processes with one voice.

Ultimately, the AEA grew to 113 members. "Injecting agriculture into the debate as a supporter of expanded exploration sent the message to Congress and to the Administration that farmers, fertilizer manufacturers, and other agricultural interests were hurt by high and volatile natural gas prices," O'Brien adds. The AEA orchestrated an extensive effort to reach government officials with this message, using briefings, meetings, letters, Congressional testimony, media outreach, and even a web-driven grassroots interactive system to facilitate letter writing to members throughout the entire process. And CF Industries' employees were frequent and effective participants in the effort, sending many letters to their representatives.

Many legislators were critical to the bill's success, but Senators Mary Landrieu (D-LA) and Pete Domenici (R-NM), and Congressmen Adam Putnam (R-FL), John Peterson (R-PA), Neil Abercrombie (D-HI), Charlie Melancon (D-LA), and Bobby Jindal (R-LA) played key roles.

O'Brien notes, "there's still more to do. We expect the AEA to remain the vehicle to help us make further progress."

demand for corn-based ethanol, coupled with low worldwide stocks for corn and wheat, probably would have supported increased 2006 fertilizer demand under more normal pricing conditions. Instead, we saw a significant decline in planted acres. Even as natural gas prices fell in the fall, many customers were hesitant to commit, hoping to buy at a future market bottom. Late in the fall, though, we saw the market recognize the increasingly strong spring planting intentions. This, coupled with significantly higher prices for corn and wheat and even lower grain stocks due to 2006's reduced acreage and yields, led to a surge in order flow – a surge that took place during a period of declining gas costs and rising fertilizer prices.

**Q. The impact of your quarterly mark-to-market gains and losses on derivatives makes it hard to predict your reported earnings. How should we think about these gains and losses?**

**A.** Under our Forward Pricing Program (FPP), we establish derivative contracts for natural gas associated with orders we book under the program. By fixing the cost of natural gas, the largest cost component in our nitrogen business, we effectively lock in a large part of the margin on those FPP orders. Because we no longer use hedge accounting, we are required to mark each open derivative contract to its natural gas market value at the end of each accounting period. If the end-of-period price is higher than the initial price on the derivative, we have a mark-to-market gain. If the price is lower than the initial cost on the derivative, we have a mark-to-market loss. These gains and losses, which are a normal part of our business, can be significant. But it's important to keep in mind that these are non-cash adjustments and that the original cash margin embedded in each FPP order and the related gas derivatives will be realized.

***Behind 2006's Performance***

## Leading The Way To A Safe Workplace

CF Industries' 1400-plus employees completed 2006 without a single classified lost-time accident anywhere in the company, an impressive achievement in an organization that operates complex manufacturing, logistics, and distribution facilities. But impressive as that one-year milestone is, the employees at the company's Aurora, Nebraska ammonia terminal are working on a streak of 42 years – and counting – of safe work days.

The terminal, which receives, stores, and then distributes anhydrous ammonia to customers throughout central Nebraska, may be a small operation, but maintaining a high


The Aurora terminal team includes (standing from left) Roger Hattan, Jon Gellinger, Dave Hahn, Bill Bedinger, John Kliewer, and Bill Ulmer. Kneeling from left are Ron Petersen and John Mark.

## Q. You saw a marked decrease in customer purchases under your Forward Pricing Program in 2006. Does this concern you?

**A.** No. FPP levels are not a proxy for ultimate demand. They are more an indicator of customer expectations for fertilizer pricing and availability. The FPP gives customers (and us) the ability to lock in orders at fixed prices for future delivery. In 2004 and pre-hurricane 2005, with a rising fertilizer price environment, many customers ordered under the program. Frankly, many benefited tremendously when prices spiked following the storms. However, as natural gas prices began to moderate in the post-hurricane period, customer expectations were for declining fertilizer prices. Under that scenario, which played out well into 2006, one would expect FPP order levels to decline, especially in our nitrogen business. Two points should be kept in mind. First, FPP orders may have declined, but our overall demand for the year was generally strong, as customers used spot and other types of purchases to meet their needs. And second, FPP levels rebounded strongly in the fourth quarter of 2006, as our customers' expectations again shifted to higher future prices and tighter availability.

## Q. You've said that your operations are well positioned to capitalize on 2007's expected strong market. Why is that?

**A.** One of the analysts who covers us wrote that when investors think of CF Industries, they should think of "Corn Fertilizer." That's a bit of an overstatement, as we serve wheat, cotton, soybean, and other crop markets, too. However, corn is a nitrogen-intensive crop and we have a 30 percent share of the nitrogen market in the Corn Belt, thanks to long-standing customer relationships and the strategic location of our nitrogen production complexes and distribution facilities.

## Q. Isn't the Gulf Coast location of your Donaldsonville nitrogen complex a strategic weakness?

**A.** The fact is, there have been very few times in our company's history when Donaldsonville hasn't been cash flow positive. It's not only North America's largest nitrogen complex, but we believe it's the best maintained and most flexible. It's also among the U.S. industry's most efficient

awareness of potential safety issues is a must, points out Superintendent Dave Hahn.

"We receive hundreds of rail cars each year, unloading them and storing the ammonia in our tank. When planting begins, we can easily load more than 100 customer trucks in a 24-hour period. At every step of the way, we're handling a product that needs the utmost care," he explains.

What's the secret to 42 safe years at Aurora? "It starts with a company that, at the top, is committed to safety, but it also takes a group of employees who are dedicated to going home safely each night. We're a family here, and we really watch out for each other," Hahn notes.

Just as importantly, the Aurora team makes sure it doesn't fall victim to what Hahn calls "tunnel vision." "Let's say we're inspecting our condenser. We don't just focus on the condenser, but on every step of the process of inspecting it. Can our people step on something dangerous as they approach the condenser? Is there a piece of equipment nearby that could cause an injury? No matter how simple a task may seem, we look at the 'big picture' from a safety perspective, getting everyone involved to pre-plan the task at hand and raise any concerns before they become problems – or accidents," he adds.

For more than 42 years, it's an approach that has helped assure that every Aurora employee has gone home at the end of each shift, safely.

operations. Unlike many inland plants, it has extensive access to economical pipeline and barge transportation, as well as rail access. Today it can generate good production margins. But you're right: a return to the extremely high natural gas costs we saw in the fall of 2005, however unlikely, and/or a world oversupply of nitrogen products, would present sizable challenges for the complex, as well as other North American plants. However, at this point we believe that positive developments in the natural gas marketplace, coupled with the almost prohibitive costs of building new nitrogen capacity and the expected growth in U.S. nitrogen demand, bode well for the complex's future.

## Q. What is your view of long-range natural gas availability and cost in the U.S.?

**A.** Well, if I may go back to my opening comments on flexibility and discipline, we're not going to "bet the company" on any one natural gas scenario. We're continuing to invest to improve the efficiency of our nitrogen complexes. For example, Donaldsonville was originally designed to use from 35 to 37 MMBtu of natural gas to produce a ton of ammonia. Today, that number is closer to 32 MMBtu, and late in 2006 we announced a capital project to further improve the efficiency of two of the complex's four ammonia plants. But we're looking at other options, including conversion of a portion of the plant's ammonia production to a petroleum

*Behind 2006's Performance*

## Winning Critical Development Approvals for our Florida Phosphate Operations

CF Industries mines approximately 3.5 million tons of phosphate rock each year in Hardee County, Florida to supply its chemical plant. With more than 88 million tons of recoverable reserves, the mine is a valuable asset. However, mining its phosphate reserves requires undergoing an extensive and rigorous authorization and permitting process.

Late in 2005, CF Industries applied for an extension of the development authorization on approximately 55 million tons of reserves through 2029, to allow an additional 13 years of mining and five years after that to complete land reclamation.

"While the mine was approved in 1977, we needed to request the extension of the original authorization because mining in the South Pasture did not begin until 1995, due primarily to delays necessary to obtain regulatory approvals," explains Richard Ghent, director, environmental affairs for the company's phosphate operations.

Richard Ghent, Gary Blitch, and Kenny Miller (shown left to right at the company's Hardee County phosphate mine) led the CF Industries team that worked with Florida officials to extend the development authorization on approximately 55 million tons of rock reserves.

"We Floridians take both economic development and the environment seriously. We had to coordinate extensive review processes with both the Hardee County Board of County Commissioners and the Central Florida Regional Planning Council, including performing an economic impact study, water usage analysis, and transportation study," Ghent notes.

"We had to provide 'clear and convincing evidence' that coke feedstock, as well as the construction of a joint venture nitrogen complex in the Republic of Trinidad and Tobago, where we would have the advantage of low-cost natural gas. And it's important to recognize that gas costs have been rising in other parts of the nitrogen-producing world.

## Q. What is the status of those projects?

**A.** We're spending a great deal of time studying them, and while it may seem to be taking longer than necessary, these decisions are complex and depend upon variables that have changed significantly, especially in the last year. The decisions are clearly linked to a long-term view of domestic natural gas supply and pricing, as well as capital costs. While there's still more to be done to assure adequate, economical supplies of natural gas in the U.S., we have made important strides in recent years, including passage of the Gulf of Mexico Energy Security Act, the continued growth of LNG receiving capability, and important conservation progress. Add in changing natural gas market dynamics in some producing nations, and you could see a different competitive environment in nitrogen than we faced just a few years ago. It's no longer a "given" that U.S. nitrogen production is disadvantaged.

As a result, and with the significant increase we've seen in capital costs for all major projects, these two decisions have taken on added complexity. We've said before that our Donaldsonville facility, with its size and location, is probably the best candidate in the U.S. for petroleum coke-based nitrogen fertilizer production. (Petroleum Coke is a low-grade byproduct of the oil refining process, and there are ample supplies in the refinery-rich Gulf Coast area.) We're considering converting two of the complex's four ammonia plants to the new technology, but this would be a costly, essentially irreversible decision. We need to be comfortable that any investment will make sense in a likely future natural

the proposed change would not create the likelihood of additional regional impacts," he explains. Without that, the company would have had to request what's known as a substantial deviation to its authorization, a more complex and time-consuming process.

"Development activities throughout the state have created significant water-related issues in Florida, so water issues involved in the mine extension were a high priority for CF Industries. Gary Blitch developed comprehensive water usage data, and Kenny Miller coordinated technical data and served as our local liaison. Kenny did a great job of keeping the lines of communication with the county open," Ghent added.

The economic study determined that additional governmental services would not be required to support the extension. The water usage analysis confirmed the company's strong track record of conservation, and the transportation study demonstrated that the extension would not put undue strain on the roads infrastructure.

However, environmental considerations necessitated that the process include a number of separate governmental reviews, as well as meetings with the county board, the planning council, and others.

On August 23, 2006, the Central Florida Regional Planning Council recommended approval of CF Industries' request. And on October 5, 2006, the Hardee County Board of County Commissioners met to consider the request.

"As you'd expect, a number of vocal anti-development people attended the hearing, but two things helped create a win-win scenario," Ghent points out. "First, the detail we provided during the reviews. At one point in the hearing, the county manager responded to a question by saying, 'I don't know what else we could ask for that CF Industries hasn't already provided.' Second, the support of a lot of CF Industries employees – residents of Hardee County – who attended the hearing. They made it clear that this extension was important to the community," he added.

The commissioners' vote was unanimous in favor of continuing the partnership with CF Industries and the more than 175 jobs at the Hardee County mine.

gas cost environment. We also need to make certain that the structure of any project effectively reduces the financial risk we face today, with all of our nitrogen business dependent upon the relationship between North American natural gas costs and global nitrogen fertilizer prices.

## Q. What about the Trinidad Project? What is the status of this initiative today?

**A.** We announced during 2006's third quarter that the rapidly escalating capital cost for the proposed project had reached a point where the project, "as originally envisioned," would not provide an adequate return on our investment. (The "Trinidad Project" is a proposed joint venture nitrogen complex that CF Industries, fellow U.S. nitrogen producer Terra Industries, and a local Trinidadian company are studying. It would have the advantage of Trinidad's low-cost natural gas.)

This project, intended to reduce our reliance on North American natural gas and to add nitrogen capacity, is still very much a part of our strategic thinking. The gas contract term sheet we have for the project is attractive and we definitely want to capitalize on it, if we can make the project economics work. Right now, we're studying alternative project configurations, working to develop an approach with acceptable economics.

## Q. What's your timetable for decisions?

**A.** I wish I could give you one, but the magnitude of the investments – the cost of each project could exceed $800 million, although most of the financing is likely to be non-recourse debt – and the unsettled global long-term natural gas cost environment dictate discipline. If some of the forecasts we see are right, North American natural gas prices could prove much more competitive than anticipated just a few years ago. If that's the case, we need to vet the economics of these projects very carefully.

## Q. Do you have any plans to expand your phosphate operations?

**A.** As I mentioned earlier, the availability of and ability to permit phosphate rock reserves is the key to long-term competitiveness in phosphate and, while on occasion we've been able to purchase additional reserves contiguous to our Hardee County rock mine and beneficiation plant, significant additional economical reserves are simply not available in Florida today. Could we consider an offshore rock source in the future? Possibly, but nothing is imminent. So for now,

***Behind 2006's Performance***

# A 'Perfect' Commitment To The Job

When visitors drive up to the main gate of CF Industries' Donaldsonville, Louisiana nitrogen complex, one of the first things they see is a sign listing employees who have achieved "perfect attendance" records on the job. More than once, visitors have looked at the sign have asked, "Is that really true?"

The record is impressive – and it's true. During 2006, 175 of the complex's 257 employees didn't miss a scheduled day of work. More impressive, though, is the fact that 70 of those employees haven't missed a day in 15 years or more. And 14 of them have come to work every single scheduled day for 25 years or more!

"We stress the importance of teamwork here, and I think our people understand how important they are to the team," explains Lou Frey, the complex's vice president and general manager – and the owner of a 19-year perfect attendance record himself.

Jerry Neal, a maintenance planner with responsibility we'll continue to work to maximize the value of the rock we have by making incremental capacity additions and productivity improvements at our DAP/MAP complex. In the third quarter of 2006, for example, we announced a project to add another 80,000 tons of DAP and MAP annual capacity to the current 2.0 million tons.

### Q. What about your distribution and logistics network? Any expansion plans there?

**A.** Right now, we're very well positioned to serve core markets for our products. That's not to say that, going forward, we won't add to our strategic capability to serve local markets.

### Q. All in all, you seem optimistic about 2007. Any lingering concerns?

**A.** There are always concerns in a business in which you use a commodity – natural gas – to produce a commodity to serve a commodity market! Right now, early in 2007, there are solid indicators of a strong spring planting season driven by high crop prices and low worldwide grain stocks. As I said earlier, we believe we're well positioned to capitalize on that demand. But there are always unknowns in this business, at this point especially weather, which can impact even the most optimistic farmer's planting intentions. And there are still additions to offshore nitrogen capacity on the way that could impact the second half of the year.

### Q. You've said in investor meetings that you don't think your position, as a small, regional producer in a global industry, is appropriate for the long term. What are your long-range strategic objectives?

**A.** We have said that growth and diversification are our strategic priorities. In this global industry, we must increase our size and diversify our sources of cash flow in order to become less dependent on a favorable relationship between global nitrogen fertilizer prices and North American natural gas costs. Our initiatives to address these priorities generally will be natural extensions of our core competencies. They may include organic initiatives, merger and acquisition activity, joint ventures, and other strategic actions. Whatever they are, we're considering them with some urgency, but always with discipline, recognizing the long-term implications of making decisions based on what could be short-term market conditions. Trinidad and petroleum coke are on the list, but there are also a number of smaller, yet appropriate, investments that may be available to achieve growth, diversification, and/or continuous improvement in our operations.

for the complex's four ammonia plants (second from left in photo), says that doing a fair day's work is just part of Donaldsonville's culture.

As he explains, he came to CF Industries on August 28, 1975 and asked for a job. On that day, the company made a commitment to him and he made a commitment to the company. Neal, who hasn't missed a scheduled day in 28 years, admits that "it's easy to come to work every day when you know the door to the boss's office is always open and your ideas are always welcome."

These employees – and nine more – haven't missed a scheduled day of work in 25 years or more. Pictured from left are Jimmy Miller, Jerry Neal, Karl Kastner, Charles "C.J." Jones, and Wayne Barrilleaux. Other employees with 25-plus years are George Acosta, Bobby Bourgeois, Greg Callier, Mike Cox, Warren Dille, Darryl Haydel, Steve Paine, Kevin Templet, and Dennis Waguespack.

## Q. As you consider your strategic plans, what do you consider an "ideal" capital structure?

**A.** Today we have what you might call a "transitional" balance sheet. Once we get past this transitional phase and make appropriate accretive investments, gross leverage in the 20 percent to 25 percent range would be appropriate.

## Q. What do you see as the keys to your 2007 performance?

**A.** To start, the same as last year: maintaining flexibility and discipline. And since the table seems set for us, I'd add executing. We must take advantage of the opportunity this spring presents. This remains a dynamic, volatile, and cyclical industry. Yes, there are exciting opportunities facing us and other North American fertilizer manufacturers, and we believe we're well situated to take advantage of them. Some of those opportunities, like ethanol-driven corn demand, clearly could become long-term market drivers. But whether it's major capital projects, expansions, or other strategic moves, we'll make measured, disciplined responses, to assure that we build long-term value, not just buy short-term gains.

*Behind 2006's Performance*

# Building Effective Controls and Compliance

These members of CF Industries' Sarbanes-Oxley Project Management Office, shown with just a portion of the testing procedures they documented, oversaw the company's certification process. From left are Ed Stass, Craig Cihlar, Bob Webb, Christine Dingman, Bernie Dudek, Bob Walsh, and Karl Boshart.

On Page 106 of CF Industries' Form 10-K, included in this Annual Report to Stockholders, investors will find Item 9A, labeled "Controls and Procedures." In it, they'll read that the management of the company has evaluated its internal control over financial reporting and found it effective.

The company's ability to reach this conclusion, a critical mandate under The Sarbanes-Oxley Act of 2002, is the result of a nearly two-year effort by a team of dedicated employees throughout the organization, explains Bob Webb, vice president and corporate controller. He heads CF Industries' Sarbanes-Oxley Project Management Office.

As Webb points out, "In 2005, when we began working on the company's planned Initial Public Offering, we established an Internal Controls and Sarbanes-Oxley Compliance Department. The Sarbanes-Oxley legislation, enacted in the wake of numerous corporate accounting issues earlier in this decade, established the requirements for assessment and reporting on the effectiveness of internal controls over financial reporting."

In addition to the Project Management Office, CF Industries developed a company-wide network of employees responsible for internal control over financial reporting.

Over 18 months, that network of people performed the extensive documentation, evaluation, and testing of internal controls over financial reporting necessary to assure their effectiveness. During those months, the team – at headquarters and throughout the company – put in many long hours. Their efforts were critical to the completion of the assessment of our internal control over financial reporting required by the SOX legislation – an assessment so important to investors in today's financial marketplace.

# BOARD OF DIRECTORS

**From left:** John D. Johnson, Wallace W. Creek, Robert C. Arzbaecher, William Davisson, Edward A. Schmitt, Stephen R. Wilson, and David R. Harvey. (Board is shown visiting the company's Donaldsonville, Louisiana Nitrogen Complex.)

**Stephen R. Wilson**
Chairman, President, and
Chief Executive Officer

**Robert C. Arzbaecher**[1,3]
Chairman, President, and
Chief Executive Officer
Actuant Corporation
Manufacturer and marketer
of industrial products and systems

**Wallace W. Creek**[1,2,3]
Retired Controller
General Motors Corporation
Automotive manufacturer

**William Davisson**
Chief Executive Officer
GROWMARK, Inc.
Federated, regional agricultural
cooperative

**David R. Harvey**[1,2]
Lead Independent Director
Chairman of the Board and
Retired Chief Executive Officer
Sigma-Aldrich Corporation
Manufacturer and distributor of
biochemical and organic chemicals

**John D. Johnson**
President and Chief Executive Officer
CHS Inc.
Diversified energy, grains,
and foods company

**Edward A. Schmitt**[2,3]
Chairman, President, and
Chief Executive Officer
Georgia Gulf Corporation
Manufacturer of chemical products

**Committees of the Board of Directors:**

1. Audit Committee
2. Corporate Governance and Nominating Committee
3. Compensation Committee

# OFFICERS

**Stephen R. Wilson**
Chairman, President,
and Chief Executive Officer

**David J. Pruett**
Senior Vice President, Operations

**Ernest Thomas**
Senior Vice President
and Chief Financial Officer

**Douglas C. Barnard**
Vice President, General Counsel,
and Secretary

**Frank N. Buzzanca**
Vice President, EHS and Engineering

**Stephen G. Chase**
Vice President, Corporate Planning
and Business Development

**William G. Eppel**
Vice President, Human Resources

**Louis M. Frey, III**
Vice President and General Manager,
Donaldsonville Nitrogen Complex

**Russell A. Holowachuk**
Vice President and General Manager,
Medicine Hat Nitrogen Complex

**Philipp P. Koch**
Vice President, Raw Materials
Procurement

**Herschel E. Morris**
Vice President, Phosphate Operations

**Fernando A. Mugica**
Vice President, Supply and Logistics

**Rosemary L. O'Brien**
Vice President, Public Affairs

**Monty R. Summa**
Vice President, Sales

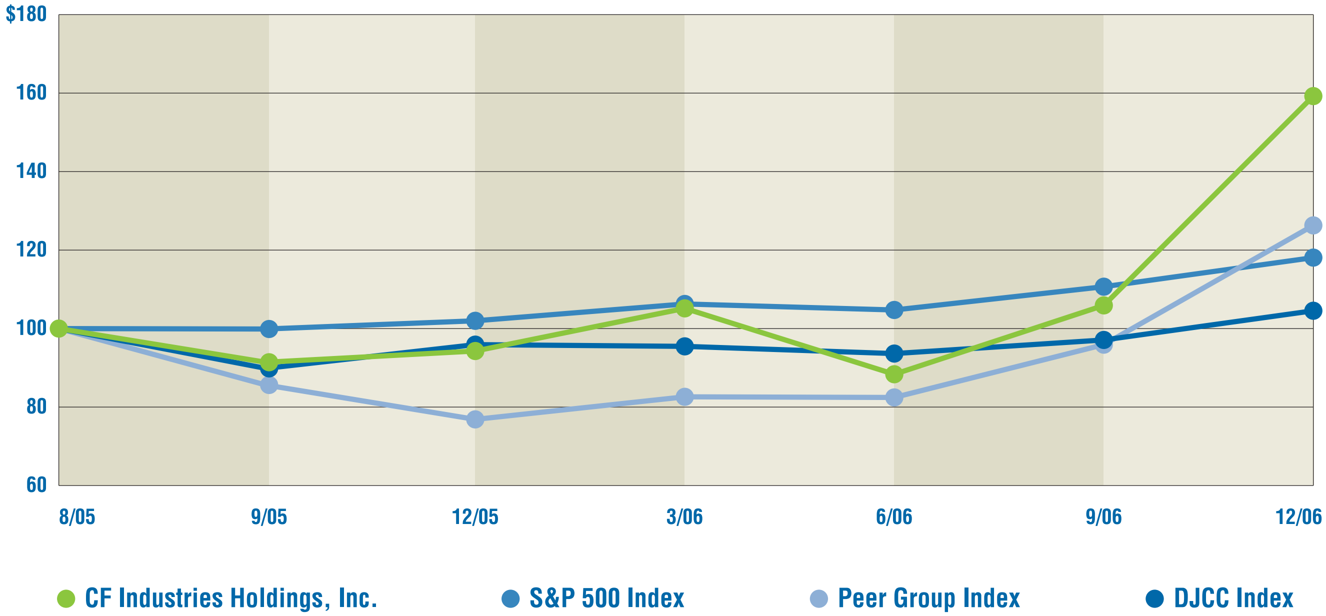
**Robert D. Webb**
Vice President and Corporate
Controller

**Randall W. Selgrad**
Treasurer and Assistant Secretary

*Information current as of March 13, 2007*

# STOCKHOLDER INFORMATION

## Stock Price Performance Graph




The graph above shows the cumulative total stockholder return, assuming an initial investment of $100 and the reinvestment of any subsequent dividends, for the period beginning on August 11, 2005 (the first trading day for our common stock) and ending on December 31, 2006, with respect to our common stock, a peer group, the Dow Jones United States Commodity Chemicals (DJCC) Index, and the Standard & Poor's 500 Index.

In constructing our peer group, we have selected Agrium Inc., The Mosaic Company, Potash Corporation of Saskatchewan Inc., and Terra Industries Inc., which together comprise the other publicly traded manufacturers of chemical fertilizers with headquarters in North America. We have assumed the initial investment of $100 was allocated among them on the basis of their respective market capitalizations at the beginning of the period.

## Transfer Agent and Registrar

The company's Stock Transfer Agent and Registrar is The Bank of New York (www.stockbny.com) at 800-524-4458 (212-815-3700 outside the U.S. and 888-269-5221 for a hearing-impaired/TYY phone). The bank's E-mail address is shareowners@bankofny.com.

Address stockholder inquiries to:
The Bank of New York, Investor Services Department
Box 11258, New York, NY 10286-1258

Send certificates for transfer and address changes to:
The Bank of New York, Receive and Deliver Department
Box 11002, New York, NY 10286-1002

## Stock Listing and Performance

Shares of CF Industries Holdings, Inc.'s common stock trade on the New York Stock Exchange (NYSE) under the symbol "CF." The price data shown below is for NYSE trading.

| | High | Low | Close |
|---|---|---|---|
| 1Q 2006 | $19.19 | $15.10 | $16.99 |
| 2Q 2006 | $18.75 | $13.22 | $14.26 |
| 3Q 2006 | $17.32 | $12.91 | $17.07 |
| 4Q 2006 | $26.60 | $17.20 | $25.64 |

CF LISTED NYSE

## Corporate Headquarters

On March 12, 2007, CF Industries Holdings, Inc. moved into new headquarters near Chicago at 4 Parkway North, Suite 400, Deerfield, Illinois 60015-2590. The telephone number is 847-405-2400.

## Annual Meeting of Stockholders

The 2007 Annual Meeting of Stockholders will be held on Wednesday, May 9, 2007. The meeting, which will begin at 10:00 a.m. Central Time, will be held at the Marriott Suites in Deerfield, Illinois. The audio portion of the meeting will be webcast via the company's Web site at www.cfindustries.com.

## Dividend Policy

CF Industries Holdings, Inc. pays quarterly cash dividends on its common stock at a rate of $0.02 per common share. It expects to pay quarterly cash dividends on the common stock at an annual rate of at least $0.08 per share for the foreseeable future. The declaration and payment of dividends to holders of the common stock is at the discretion of the board of directors and will depend on many factors, including general economic and business conditions, strategic plans, financial results and condition, legal requirements and other factors as the board of directors deems relevant.

## Independent Auditors

KPMG LLP
Chicago, Illinois 60601

## Certifications

As required by the rules of the New York Stock Exchange (NYSE), the Chief Executive Officer of CF Industries Holdings, Inc. has submitted the Annual CEO Certification to the NYSE, regarding the company's compliance with the exchange's corporate governance listing standards. The company's Form 10-K for the fiscal year ended December 31, 2006, as filed with the U.S. Securities and Exchange Commission, is included herein and includes the certifications by the company's Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.

*Information current as of March 13, 2007*

## Investor Information and Web Site

Investors can find information about the company, its operations, and its products at its new Web site at www.cfindustries.com. For additional information, contact Investor Relations at the Corporate Headquarters address.

## Quarterly Conference Calls and Investor E-Mail Updates

CF Industries Holdings, Inc. conducts quarterly conference calls and investor updates to discuss the company's performance, accessible via the company's Web site at www.cfindustries.com. Investors may also sign up for E-mail alerts to news and upcoming events on the site.

## Request for Annual Report on Form 10-K

Investors may download a copy from the company's Web site or request a printed copy from Investor Relations at the Corporate Headquarters address.

## Forward-Looking Statements

Certain statements in this publication may constitute "forward-looking statements" within the meaning of federal securities laws. The company's Safe Harbor Statement, describing those statements and detailing certain risks and uncertainties involved with those statements, is found in the enclosed Annual Report on Form 10-K.


**CF Industries Unveils New Internet Site**

In January of 2007, CF Industries launched its new Web site at www.cfindustries.com. The new site includes expanded information about the company's plants, distribution facilities, and products, as well as a broad array of stock market and financial information of value to investors.

DESIGN OF THE 2006 ANNUAL REPORT AND NEW IDENTITY: WILDENRADT DESIGN ASSOCIATES, MAJOR PHOTOGRAPHY: ROBERT CV LIEBERMAN, COLOR PRINTING: ACTIVE GRAPHICS, FINANCIAL PRINTING: MERRILL CORPORATION

**CF Industries Holdings, Inc.**
4 Parkway North, Suite 400
Deerfield, Illinois 60015-2590

## CF Industries Adopts New Logo

CF Industries has introduced a new corporate logo, shown above. The logo, which will soon begin appearing at facilities throughout the company, is designed to reinforce graphically the company's position serving agricultural markets.