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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 6, 2009 (August 5, 2009)

CVR ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

001-33492
(Commission File Number)

61-1512186
(I.R.S. Employer
Identification Number)

2277 Plaza Drive, Suite 500
Sugar Land, Texas 77479

(Address of principal executive offices,
including zip code)

Registrant's telephone number, including area code: (281) 207-3200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On August 5, 2009, CVR Energy, Inc. (the “Company”) issued a press release announcing information regarding its results of operations and financial condition for the quarter and the six months ended June 30, 2009, the text of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report on Form 8-K and Exhibit 99.1 attached hereto is being “furnished” pursuant to Item 2.02 of Form 8-K and is not deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor is it deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Item 9.01. Financial Statements and Exhibits**(d) Exhibits**

The following exhibit is being “furnished” as part of this Current Report on Form 8-K:

99.1 Press release dated August 5, 2009, issued by CVR Energy, Inc. pertaining to its results of operations and financial condition for the quarter and the six months ended June 30, 2009.

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 hereunto duly authorized.

Date: August 5, 2009

CVR ENERGY, INC.

By: /s/ Edward Morgan

Edward Morgan

Chief Financial Officer and Treasurer



**CVR ENERGY REPORTS SECOND QUARTER PROFIT;
MANAGEMENT CREDITS THROUGHPUT AND FLEXIBLE OPERATIONS**

SUGAR LAND, Texas (Aug. 5, 2009) — CVR Energy, Inc. (NYSE: CVI), a refiner and marketer of petroleum fuels and a nitrogen fertilizer manufacturer, today reported second quarter 2009 net income of \$42.7 million, or \$0.49 per fully diluted share, on net sales of \$793.3 million.

The 2009 results increased from 2008 second quarter net income of \$31.0 million, or \$0.36 per fully diluted share, on net sales of \$1,512.5 million.

For the first half 2009, net income was \$73.3 million, or \$0.85 per fully diluted share, on net sales of \$1,402.7 million compared to \$53.2 million, or \$0.62 per fully diluted share, on net sales of \$2,735.5 million in the first half of 2008.

“Throughput and flexibility drove CVR Energy’s positive second quarter results,” said Chief Executive Officer Jack Lipinski. “Total inputs at the refinery averaged 123,717 barrels per day. At the same time, the nitrogen fertilizer plant managed strong on-stream rates that resulted in increased production and sales, partially offsetting lower prices.”

“During the period, we increased gasoline production at the expense of distillate to take advantage of gasoline’s higher margin and also shifted our crude input favoring domestic sweet crudes over sour and heavy sour grades to take advantage of relative economics and the continuing contango in the crude market.”

Operating income for the second quarter 2009 was \$108.4 million compared to \$123.0 million for the same quarter in 2008. For the first half 2009, operating income was \$199.4 million compared to \$210.3 million for the first half in 2008.

Net income adjusted for unrealized gain or loss from Cash Flow Swap was \$54.7 million in the second quarter of 2009 compared to \$40.6 million for the same quarter in 2008. For the first half, comparable numbers were \$97.4 million in 2009 versus \$71.2 million in 2008.

On the last day of June 2009, the Cash Flow Swap, which was required by lenders as a condition of acquiring the business, decreased from 5.9 million barrels per quarter to 1.5 million barrels per quarter. The swap agreement expires on June 30, 2010.

Petroleum Business

The petroleum business reported second quarter 2009 operating income of \$96.2 million on net sales of \$740.0 million, compared to operating income for the same period in 2008 of \$101.9 million on net sales of \$1,459.1 million. For the first half of 2009, the petroleum business reported operating income of \$160.9 million on net sales of \$1,285.2 million compared to operating income of \$165.5 million on net sales of \$2,627.6 million for the first half of 2008.

The results for the second quarter of 2009 reflect a favorable impact from first-in, first-out (FIFO) accounting of \$67.3 million compared with a favorable FIFO impact of \$74.0 million for the second quarter of 2008. For the first half 2009, the favorable FIFO impact was \$44.7 million compared to a favorable \$92.0 million in the first half 2008.

Crude oil throughput for the second quarter 2009 averaged 111,620 barrels per day compared with 104,559 barrels per day for the same period in 2008. Total throughput including other feed and blend stocks was 123,717 barrels per day in the second quarter of 2009 compared to 113,962 barrels per day for the same period in 2008.

Refining margin per barrel adjusted for FIFO impact, a non-GAAP measure (see footnote 6 in the accompanying tables), was \$8.96 in the second quarter of 2009, a decrease from \$10.45 during the same period in 2008. Gross profit per crude oil throughput barrel was \$10.77 in the second quarter of 2009, compared to \$11.68 per crude oil throughput barrel during the same period in 2008.

Direct operating expenses for the second quarter of 2009 were \$3.25 per crude oil throughput barrel compared to \$4.49 per crude oil throughput barrel for the same period in 2008, both amounts reported exclusive of depreciation and amortization.

Nitrogen Fertilizers Business

Nitrogen fertilizers operations reported second quarter 2009 operating income of \$16.5 million on net sales of \$55.3 million, compared to operating income of \$23.1 million on net sales of \$58.8 million during the equivalent period in 2008. For the first half 2009, operating income was \$45.8 million on net sales of \$123.1 million compared to \$49.2 million on net sales of \$121.4 million in the first half of 2008.

For the second quarter 2009, average plant sale prices for ammonia and UAN were \$351 per ton and \$249 per ton respectively, compared to \$528 per ton and \$303 per ton respectively for the equivalent period in 2008. Nitrogen fertilizers operations produced 103,300 tons of ammonia, including ammonia subsequently upgraded to UAN, and 156,100 tons of UAN during the second quarter of 2009, compared to 79,500 tons of ammonia and 139,100 tons of UAN in the equivalent period of 2008.

On-stream factors in the second quarter of 2009 exceeded the 2008 results in all areas. Gasification operations had a second quarter 2009 on-stream factor of 91.7 percent compared to 82.8 percent in the second quarter of 2008; the ammonia operations were on-stream 89.5 percent of the time in the second quarter of 2009 versus 80.0 percent during the second quarter 2008; and

UAN production ran 87.4 percent of the time in the second quarter 2009 versus 78.3 percent of the time in the same quarter during 2008.

On-stream rates for the second quarter of 2009 were slightly lower than the 100 percent rates in the first quarter 2009 because of a seven-day maintenance outage at a third-party air separation plant that supplies the nitrogen fertilizer plant.

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This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can generally identify forward-looking statements by our use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “seek,” “should,” or “will,” or the negative thereof or other variations thereon or comparable terminology. These forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. For a discussion of risk factors which may affect our results, please see the risk factors and other disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2008. These risks may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this press release are made only as of the date hereof. The Company undertakes no duty to update its forward-looking statements.

About CVR Energy, Inc.

Headquartered in Sugar Land, Texas, CVR Energy, Inc.’s subsidiary and affiliated businesses include an independent refiner that operates a 115,000 barrel per day refinery in Coffeyville, Kan., and markets high value transportation fuels supplied to customers through tanker trucks and pipeline terminals; a crude oil gathering system serving central Kansas, northern Oklahoma, eastern Colorado, western Missouri and southwest Nebraska; an asphalt and refined fuels storage and terminal business in Phillipsburg, Kan.; and through a limited partnership, an ammonia and urea ammonium nitrate fertilizer business located in Coffeyville, Kan.

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CVR Energy, Inc.

The following tables summarize the financial data and key operating statistics for CVR Energy and our two operating segments for the three and six months ended June 30, 2009 and 2008. Select balance sheet data is as of June 30, 2009 and December 31, 2008. The summary financial data for our two operating segments does not include certain selling, general and administrative expenses and depreciation and amortization related to our corporate offices.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in millions, except share data) (unaudited)				
Consolidated Statement of Operations Data:				
Net sales	\$ 793.3	\$ 1,512.5	\$ 1,402.7	\$ 2,735.5
Cost of product sold*	587.6	1,287.4	1,009.2	2,323.6
Direct operating expenses*(1)	54.5	62.3	110.7	122.9
Selling, general and administrative expenses*(1)	21.8	14.8	41.3	28.3
Net costs associated with flood	(0.1)	3.9	0.1	9.7
Depreciation and amortization	21.1	21.1	42.0	40.7
Operating income	108.4	123.0	199.4	210.3
Interest expense and other financing costs	(11.2)	(9.5)	(22.7)	(20.8)
Loss on derivatives, net	(29.2)	(79.3)	(66.1)	(127.2)
Loss on extinguishment of debt	(0.7)	—	(0.7)	—
Other income, net	0.9	0.9	0.9	1.8
Income before income tax expense	68.2	35.1	110.8	64.1
Income tax expense	(25.5)	(4.1)	(37.5)	(10.9)
Net income	\$ 42.7	\$ 31.0	\$ 73.3	\$ 53.2

* Amounts shown are exclusive of depreciation and amortization.

Basic earnings per share	\$ 0.49	\$ 0.36	\$ 0.85	\$ 0.62
Diluted earnings per share	\$ 0.49	\$ 0.36	\$ 0.85	\$ 0.62
Weighted average common shares outstanding				
Basic	86,244,152	86,141,291	86,243,949	86,141,291
Diluted	86,333,349	86,158,791	86,327,911	86,158,791

	As of June 30, 2009	As of December 31, 2008
	(unaudited)	(in millions)
Balance Sheet Data:		
Cash and cash equivalents	\$ 73.3	\$ 8.9
Unrealized receivable associated with Cash Flow Swap (current)(2)	0.9	35.3
Unrealized receivable associated with Cash Flow Swap (non-current)(2)	—	5.6
Working capital	247.3	128.5
Total assets	1,628.8	1,610.5
Total debt, including current portion	486.0	495.9
Total CVR stockholders' equity	657.8	579.5

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in millions) (unaudited)				
Other Financial Data:				
Cash flows provided by (used in) operating activities	\$ 54.8	\$ (0.8)	\$ 91.5	\$ 23.3
Cash flows used in investing activities	(8.7)	(23.5)	(24.6)	(49.6)
Cash flows provided by (used in) financing activities	(1.2)	19.8	(2.5)	16.4
Non-GAAP Measures:				
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss):				
Net income	\$ 42.7	\$ 31.0	\$ 73.3	\$ 53.2
Less:				
Unrealized gain (loss) from Cash Flow Swap, net of taxes (2)	(12.0)	(9.6)	(24.1)	(18.0)
Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap (2)	\$ 54.7	\$ 40.6	\$ 97.4	\$ 71.2
Adjustments:				
Share-based compensation, net of taxes (1)	4.6	(9.6)	7.7	(9.8)
FIFO impact (favorable) unfavorable, net of taxes (5) (7)	(40.6)	(44.5)	(27.0)	(55.3)
Adjusted net income (loss) (3)	\$ 18.7	\$ (13.5)	\$ 78.1	\$ 6.1
Adjusted net income (loss) per share, per diluted share	\$ 0.22	\$ (0.16)	\$ 0.91	\$ 0.07

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in millions, except operating statistics) (unaudited)				
Petroleum Business Financial Results:				
Net Sales	\$ 740.0	\$ 1,459.1	\$ 1,285.2	\$ 2,627.6
Cost of product sold*	581.7	1,285.6	999.3	2,320.6
Direct operating expenses*(1)	33.0	42.7	67.6	83.0
Net costs associated with flood	(0.1)	3.4	0.1	8.9
Depreciation and amortization	16.0	16.3	31.8	31.2
Gross profit	\$ 109.4	\$ 111.1	\$ 186.4	\$ 183.9
Plus direct operating expenses*(1)	33.0	42.7	67.6	83.0
Plus net costs associated with flood	(0.1)	3.4	0.1	8.9
Plus depreciation and amortization	16.0	16.3	31.8	31.2
Refining margin (4)	\$ 158.3	\$ 173.5	\$ 285.9	\$ 307.0
FIFO impact (favorable) unfavorable (5)	(67.3)	(74.0)	(44.7)	(92.0)
Refining margin adjusted for FIFO impact (6)	91.0	99.5	241.2	215.0
Operating income	\$ 96.2	\$ 101.9	\$ 160.9	\$ 165.5
Share-based compensation (1)	(0.2)	(1.8)	0.2	(2.3)
FIFO impact (favorable) unfavorable (5) (7)	(67.3)	(74.0)	(44.7)	(92.0)
Adjusted operating income (7)	\$ 28.7	\$ 26.1	\$ 116.4	\$ 71.2
Petroleum Key Operating Statistics:				
Per crude oil throughput barrel:				
Refining margin (4)	\$ 15.58	\$ 18.23	\$ 14.50	\$ 15.98
FIFO impact (favorable) unfavorable (5)	(6.62)	(7.78)	(2.27)	(4.79)
Refining margin adjusted for FIFO impact (6)	8.96	10.45	12.23	11.19
Gross profit	10.77	11.68	9.46	9.57
Direct operating expenses* (1)	3.25	4.49	3.43	4.32

* Amounts shown are exclusive of depreciation and amortization

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009		2008		2009		2008	
(unaudited)								
Refining Throughput and Production Data:								
(barrels per day)								
Throughput:								
Sweet	87,610	70.8%	73,876	64.8%	81,319	66.5%	73,460	62.9%
Light/medium sour	16,245	13.1%	20,451	17.9%	18,477	15.1%	19,265	16.5%
Heavy sour	7,765	6.3%	10,232	9.0%	9,114	7.5%	12,778	10.9%
Total crude oil throughput	111,620	90.2%	104,559	91.7%	108,910	89.1%	105,503	90.3%
All other feed and blendstocks	12,097	9.8%	9,403	8.3%	13,290	10.9%	11,343	9.7%
Total throughput	123,717	100.0%	113,962	100.0%	122,200	100.0%	116,846	100.0%
Production:								
Gasoline	63,170	51.0%	52,028	45.2%	63,745	52.1%	55,845	47.4%
Distillate	48,192	38.9%	48,168	41.9%	47,194	38.6%	48,380	41.0%
Other (excluding internally produced fuel)	12,529	10.1%	14,883	12.9%	11,338	9.3%	13,675	11.6%
Total refining production (excluding internally produced fuel)	123,891	100.0%	115,079	100.0%	122,277	100.0%	117,900	100.0%
Product price (dollars per gallon):								
Gasoline	\$ 1.70		\$ 3.12		\$ 1.47		\$ 2.76	
Distillate	\$ 1.57		\$ 3.66		\$ 1.46		\$ 3.26	
Market Indicators (dollars per barrel):								
West Texas Intermediate (WTI) NYMEX	\$ 59.79		\$ 123.80		\$ 51.68		\$ 111.12	
Crude Oil Differentials:								
WTI less WTS (light/medium sour)	1.47		4.62		1.26		4.63	
WTI less WCS (heavy sour)	7.45		22.94		5.43		21.52	
NYMEX Crack Spreads:								
Gasoline	12.23		9.45		10.68		7.99	
Heating Oil	5.74		24.59		9.37		20.96	
NYMEX 2-1-1 Crack Spread	8.99		17.02		10.03		14.48	
PADD II Group 3 Basis:								
Gasoline	(1.73)		(3.61)		(1.19)		(2.56)	
Ultra Low Sulfur Diesel	0.53		4.17		(0.63)		3.91	
PADD II Group 3 Product Crack:								
Gasoline	10.51		5.84		9.49		5.43	
Ultra Low Sulfur Diesel	6.27		28.76		8.75		24.88	
PADD II Group 3 2-1-1	8.39		17.30		9.12		15.15	

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(in millions, except as noted) (unaudited)				
Nitrogen Fertilizer Business Financial Results:				
Net sales	\$ 55.3	\$ 58.8	\$ 123.1	\$ 121.4
Cost of product sold*	8.2	6.8	16.9	15.8
Net costs associated with flood	—	—	—	—
Direct operating expenses*(1)	21.5	19.7	43.1	39.9
Depreciation and amortization	4.7	4.5	9.3	9.0
Operating income	\$ 16.5	\$ 23.1	\$ 45.8	\$ 49.2
Share-based compensation (1)	1.2	(2.9)	1.9	(2.9)
Adjusted operating income (7)	\$ 17.7	\$ 20.2	\$ 47.7	\$ 46.3

* Amounts shown are exclusive of depreciation and amortization.

Nitrogen Fertilizer Key Operating Statistics:

Production (thousand tons):

Ammonia (gross produced) (8)	103.3	79.5	211.3	163.2
Ammonia (net available for sale) (8)	38.9	22.2	77.8	44.3
UAN	156.1	139.1	325.8	289.2

Petroleum coke consumed (thousand tons)	114.3	106.0	239.6	224.2
Petroleum coke (cost per ton)	\$ 32	\$ 30	\$ 34	\$ 30

Sales (thousand tons):

Ammonia	27.4	19.1	75.4	43.3
UAN	161.8	138.6	304.7	296.6
Total sales	189.2	157.7	380.1	339.9

Product pricing (plant gate) (dollars per ton) (9):

Ammonia	\$ 351	\$ 528	\$ 365	\$ 509
UAN	\$ 249	\$ 303	\$ 280	\$ 281

On-stream factors (10):

Gasification	91.7%	82.8%	95.8%	87.3%
Ammonia	89.5%	80.0%	94.7%	85.4%
UAN	87.4%	78.3%	91.7%	82.1%

Reconciliation to net sales (dollars in millions):

Freight in revenue	\$ 5.5	\$ 4.1	\$ 9.6	\$ 8.1
Hydrogen revenue	—	2.6	0.7	7.9
Sales net plant gate	49.8	52.1	112.8	105.4
Total net sales	\$ 55.3	\$ 58.8	\$ 123.1	\$ 121.4

Market Indicators:

Natural gas NYMEX (dollars per MMBtu)	\$ 3.81	\$ 11.47	\$ 4.13	\$ 10.14
Ammonia — Southern Plains (dollars per ton)	\$ 308	\$ 678	\$ 322	\$ 634
UAN — Mid Cornbelt (dollars per ton)	\$ 221	\$ 411	\$ 247	\$ 391

- (1) The Company has two classifications for share-based compensation awards. Phantom Unit Plan awards are accounted for as liability based awards. In accordance with FAS 123(R), the expense associated with these awards is based on the current fair value of the awards. These awards are remeasured at each reporting date until the awards are settled. Override unit awards are accounted for as equity-classified awards using the guidance for non-employee awards prescribed by EITF Issue No. 00-12, *Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee* and EITF Issue No. 96-18, *Accounting for Equity Investments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*. In accordance with that guidance, the expense associated with these awards is based on the current fair value of the awards. These awards are remeasured at each reporting date until the awards are vested (when the performance commitment is reached). The value of all of these awards can fluctuate significantly between periods.

The compensation expense associated with our Phantom Unit Plans and override units is recorded in direct operating expenses, selling, general and administrative expenses, and other income. Below is a breakdown of the expense by Statement of Operations caption and by business segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in millions) (unaudited)			
Share-based compensation recorded in direct operating expenses				
Petroleum	\$ (0.5)	\$ (1.1)	\$ (0.3)	\$ (1.6)
Nitrogen	0.1	(0.7)	0.2	(0.7)
Corporate	—	—	—	—
	<u>(0.4)</u>	<u>(1.8)</u>	<u>(0.1)</u>	<u>(2.3)</u>
Share-based compensation recorded in selling, general and administrative expenses				
Petroleum	0.3	(0.7)	0.5	(0.7)
Nitrogen	1.1	(2.2)	1.7	(2.2)
Corporate	4.6	(6.0)	7.4	(5.9)
	<u>6.0</u>	<u>(8.9)</u>	<u>9.6</u>	<u>(8.8)</u>
Share-based compensation recorded in other income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total share-based compensation	\$ 5.6	\$ (10.7)	\$ 9.5	\$ (11.1)
Income tax expense (benefit) of share-based compensation	<u>(1.0)</u>	<u>1.1</u>	<u>(1.8)</u>	<u>1.3</u>
Share-based compensation, net of taxes	4.6	(9.6)	7.7	(9.8)

- (2) The unrealized gain (loss) from Cash Flow Swap relates to the derivative transaction that was executed in conjunction with the acquisition of Coffeyville Group Holdings, LLC by Coffeyville Acquisition LLC on June 24, 2005. On June 16, 2005, Coffeyville Acquisition LLC entered into the Cash Flow Swap with J. Aron & Company, a subsidiary of The Goldman Sachs Group, Inc., and a related party of ours. The Cash Flow Swap was subsequently assigned from Coffeyville Acquisition LLC to Coffeyville Resources, LLC on June 24, 2005. The derivative took the form of three NYMEX swap agreements whereby if absolute (i.e., in dollar terms, not a percentage of crude oil prices) crack spreads fall below the fixed level, J. Aron agreed to pay the difference to us, and if crack spreads rise above the fixed level, we agreed to pay the difference to J. Aron. Based upon expected crude oil capacity of 115,000 bpd, the Cash Flow Swap represents approximately 14% of crude oil capacity for the period from July 1, 2009 through June 30, 2010.

We have determined that the Cash Flow Swap does not qualify as a hedge for hedge accounting purposes under current U.S. generally accepted accounting principles (“GAAP”). As a result, our periodic Statements of Operations reflect in each period material amounts of unrealized gains and losses based on the increases or decreases in market value of the unsettled position under the swap agreements which are accounted for as an asset (Receivable from swap counterparty) or liability (Payable to swap counterparty) on our balance sheet, as applicable. As the absolute crack spreads increase, we are required to record an increase in the liability account with a corresponding expense entry to be made to our Statement of Operations. Conversely, as absolute crack spreads decline, we are required to record a decrease in the swap related liability and post a corresponding income entry to our Statement of Operations. Because of this inverse relationship between the economic outlook for our underlying business (as represented by crack spread levels) and the income impact of the unrealized gains and losses, and given the significant periodic fluctuations in the amounts of unrealized gains and losses, management utilizes Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap as a key indicator of our business performance. In managing our business and assessing its growth and profitability from a strategic and financial planning perspective, management and our board of directors consider our GAAP net income results as well as Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap. We believe that Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap, enhances the understanding of our results of operations by highlighting income attributable to our ongoing operating performance exclusive of charges and income resulting from mark-to-market adjustments that are not necessarily indicative of the performance of our underlying business and our industry. The adjustment has been made for the unrealized gain or loss from Cash Flow Swap net of its related tax effect.

Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap is not a recognized financial measure under GAAP and should not be substituted for net income as a measure of our performance but instead should be utilized as a supplemental measure of financial performance in evaluating our business. Because Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap excludes mark-to-market adjustments, the measure does not reflect the fair market value of our Cash Flow Swap in our net income. As a result, the measure does not include potential cash payments that may be required to be made on the Cash Flow Swap in the future. Also, our presentation of this non-GAAP measure may not be comparable to similarly titled measures of other companies. We believe that Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap is important to enable investors to better understand and evaluate our ongoing operating results and allow for greater transparency in the review of our overall financial, operational and economic performance.

The unrealized receivable associated with the Cash Flow Swap, current and non-current, represents the unsettled position resulting from unrealized gains and losses on the Cash Flow Swap. Historically, the unrealized position has been and may continue to be subject to significant fluctuations due to the volatility of the underlying quoted market prices used to mark-to-market our commodity derivatives. The unrealized balance is also impacted by the length of the remaining term of the Cash Flow Swap. As the remaining term of the Cash Flow Swap becomes shorter with each passing quarter, it is our expectation that the unsettled unrealized position will experience less volatility; however, there can be no assurance of this result.

In the event the Cash Flow Swap would be terminated, the unrealized balance at that date, resulting from quoted market prices, would become a fixed obligation or receivable with the counterparty based upon the unrealized position at that time.

- (3) Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap and other items results from adjusting net income for items that the Company believes are needed in order to evaluate results in a more comparative analysis from period to period. For the three and six months ended June 30, 2009 and 2008, these items included the unrealized gain (loss) from Cash Flow Swap, share-based compensation expense and the Company’s impact of the accounting for its inventory under First-in, First-out (FIFO). Adjusted net income (loss) is not a recognized term under GAAP and should not be substituted for net income as a measure of our performance but rather should be utilized as a supplemental measure of financial performance in evaluating our business. Management believes that Adjusted Net income (loss) provides
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relevant and useful information that enables investors to better understand and evaluate our ongoing operating results and allow for greater transparency in the review of our overall financial, operational and economic performance.

- (4) Refining margin is a measurement calculated as the difference between net sales and cost of product sold (exclusive of depreciation and amortization). Refining margin is a non-GAAP measure that we believe is important to investors in evaluating our refinery's performance as a general indication of the amount above our cost of product sold that we are able to sell refined products. Each of the components used in this calculation (net sales and cost of product sold exclusive of depreciation and amortization) can be taken directly from our Statement of Operations. Our calculation of refining margin may differ from similar calculations of other companies in our industry, thereby limiting its usefulness as a comparative measure. In order to derive the refining margin per crude oil throughput barrel, we utilize the total dollar figures for refining margin as derived above and divide by the applicable number of crude oil throughput barrels for the period. We believe that refining margin is important to enable investors to better understand and evaluate our ongoing operating results and allow for greater transparency in the review of our overall financial, operational and economic performance.
- (5) First-in, first-out (FIFO) is the Company's basis for determining inventory value on a GAAP basis. Changes in crude oil prices can cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods thereby resulting in favorable FIFO impacts when crude oil prices increase and unfavorable FIFO impacts when crude oil prices decrease. The FIFO impact is calculated based upon inventory values at the beginning of the accounting period and at the end of the accounting period. In order to derive the FIFO impact per crude oil throughput barrel, we utilize the total dollar figures for the FIFO impact and divide by the number of crude oil throughput barrels for the period.
- (6) Refining margin adjusted for FIFO impact is a measurement calculated as the difference between net sales and cost of product sold (exclusive of depreciation and amortization) adjusted for FIFO impacts. Under our FIFO accounting method, changes in crude oil prices can cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods, thereby resulting in favorable FIFO impacts when crude oil prices increase and unfavorable FIFO impacts when crude oil prices decrease. Refining margin adjusted for FIFO impact is a non-GAAP measure that we believe is important to investors in evaluating our refinery's performance as a general indication of the amount above our cost of product sold (taking into account the impact of our utilization of FIFO) that we are able to sell refined products. Our calculation of refining margin adjusted for FIFO impact may differ from calculations of other companies in our industry, thereby limiting its usefulness as a comparative measure.
- (7) Adjusted operating income, adjusted for impacts of other items is a non-GAAP measure that we believe is important in evaluating the on-going operations of our segments. This calculation is made in order to adjust for what the Company believes are significant non-operating items such as the impact of our share-based compensation and the impacts of our accounting under FIFO. Below is the gross and tax affected impact of the FIFO impacts for the applicable periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in millions) (unaudited)			
Petroleum:				
FIFO impact (favorable) unfavorable	\$ (67.3)	\$ (74.0)	\$ (44.7)	\$ (92.0)
Income tax expense (benefit) of FIFO	26.7	29.5	17.7	36.7
FIFO impact, (favorable) unfavorable net of taxes	(40.6)	(44.5)	(27.0)	(55.3)

Adjusted operating income is not a recognized term under GAAP and should not be substituted for operating income as a measure of our performance but instead should be utilized as a supplemental measure of financial performance in evaluating our business. We believe that adjusted operating income is important to enable investors to better understand and evaluate our ongoing operating results and allow for greater transparency in the review of our overall financial, operational and economic performance.

- (8) The gross tons produced for ammonia represent the total ammonia produced, including ammonia produced that was upgraded into UAN. The net tons available for sale represent the ammonia available for sale that was not upgraded into UAN.
- (9) Plant gate sales per ton represent net sales less freight and hydrogen revenue divided by product sales volume in tons in the reporting period. Plant gate pricing per ton is shown in order to provide a pricing measure that is comparable across the fertilizer industry.
- (10) On-stream factor is the total number of hours operated divided by the total number of hours in the reporting period.

Use of Non-GAAP Financial Measures

To supplement the actual results in accordance with U.S. generally accepted accounting principles (GAAP) for the applicable periods, the Company also uses non-GAAP measures as discussed above, which are adjusted for GAAP-based results. The use of Non-GAAP adjustments are not in accordance with or an alternative for GAAP. The adjustments are provided to enhance an overall understanding of the Company's financial performance for the applicable periods and are indicators management believes are relevant and useful for planning and forecasting future periods.