

POTASH CORP OF SASKATCHEWAN INC
Form 10-Q
November 04, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended September 30, 2011

OR

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

Commission File Number 1-10351

Potash Corporation of Saskatchewan Inc.

(Exact name of registrant as specified in its charter)

Canada
*(State or other jurisdiction of
incorporation or organization)*

122 1 Avenue South

Saskatoon, Saskatchewan, Canada
(Address of principal executive offices)

306-933-8500

(Registrant's telephone number, including area code)

N/A
*(I.R.S. Employer
Identification No.)*

S7K 7G3

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

As at October 31, 2011, Potash Corporation of Saskatchewan Inc. had 856,478,084 Common Shares outstanding.

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Part I. Financial Information

Item 1. Financial Statements

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Financial Position

(in millions of US dollars)

(unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 394	\$ 412
Receivables	1,327	1,059
Inventories (Note 2)	581	570
Prepaid expenses and other current assets	38	54
	2,340	2,095
Non-current assets		
Property, plant and equipment	9,408	8,141
Investments in equity-accounted investees	1,166	1,051
Available-for-sale investments (Note 3)	2,491	3,842
Other assets	302	303
Intangible assets	115	115
Total Assets	\$ 15,822	\$ 15,547
Liabilities		
Current liabilities		
Short-term debt and current portion of long-term debt (Note 4)	\$ 882	\$ 1,871
Payables and accrued charges	1,201	1,198
Current portion of derivative instrument liabilities	82	75
	2,165	3,144
Non-current liabilities		
Long-term debt (Note 4)	3,704	3,707
Derivative instrument liabilities	193	204
Deferred income tax liabilities	1,064	737
Accrued pension and other post-retirement benefits (Note 5)	530	468
Asset retirement obligations and accrued environmental costs	614	455
Other non-current liabilities and deferred credits	85	147
Total Liabilities	8,355	8,862
Shareholders' Equity		
Share capital (Note 6)	1,468	1,431
Contributed surplus	296	308
Accumulated other comprehensive income	1,058	2,394
Retained earnings	4,645	2,552
Total Shareholders' Equity	7,467	6,685
Total Liabilities and Shareholders' Equity	\$ 15,822	\$ 15,547

Contingencies (Note 12)

(See Notes to the Condensed Consolidated Financial Statements)

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1 PotashCorp 2011 Third Quarter Quarterly Report on Form 10-Q

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Income

(in millions of US dollars except per-share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2011	2010	2011	2010
Sales (Note 7)	\$ 2,321	\$ 1,575	\$ 6,850	\$ 4,726
Freight, transportation and distribution	(129)	(119)	(410)	(373)
Cost of goods sold	(1,060)	(906)	(3,044)	(2,489)
Gross Margin	1,132	550	3,396	1,864
Selling and administrative expenses	(46)	(71)	(176)	(164)
Provincial mining and other taxes	(53)	(16)	(147)	(56)
Share of earnings of equity-accounted investees	68	51	185	122
Dividend income	41	25	94	139
Other expenses		(22)	(10)	(43)
Operating Income	1,142	517	3,342	1,862
Finance Costs	(37)	(22)	(125)	(87)
Income Before Income Taxes	1,105	495	3,217	1,775
Income Taxes (Note 9)	(279)	(152)	(819)	(508)
Net Income	\$ 826	\$ 343	\$ 2,398	\$ 1,267
Net Income Attributable to Common Shareholders	\$ 826	\$ 343	\$ 2,398	\$ 1,267
Net Income per Share (Note 10)				
Basic	\$ 0.96	\$ 0.39	\$ 2.80	\$ 1.43
Diluted	\$ 0.94	\$ 0.38	\$ 2.73	\$ 1.39
Dividends per Share	\$ 0.07	\$ 0.03	\$ 0.21	\$ 0.10

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Comprehensive (Loss) Income

(in millions of US dollars)

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
(Net of related income taxes)				
Net Income	\$ 826	\$ 343	\$ 2,398	\$ 1,267
Other comprehensive (loss) income				
Net (decrease) increase in net unrealized gains on available-for-				
sale investments ⁽¹⁾ (Note 3)	(983)	924	(1,351)	202
Net actuarial losses on defined benefit plans ⁽²⁾ (Note 5)	(125)		(125)	
Net losses on derivatives designated as cash flow hedges ⁽³⁾	(18)	(61)	(18)	(125)
Reclassification to income of net losses on cash flow hedges ⁽⁴⁾	10	12	38	36
Other	(5)	5	(5)	1
Other Comprehensive (Loss) Income	(1,121)	880	(1,461)	114
Comprehensive (Loss) Income	\$ (295)	\$ 1,223	\$ 937	\$ 1,381
Comprehensive (Loss) Income Attributable to Common Shareholders	\$ (295)	\$ 1,223	\$ 937	\$ 1,381

(1) Available-for-sale investments are comprised of shares in Israel Chemicals Ltd. and Sinofert Holdings Limited.

(2) Net of income taxes of \$(71) (2010 \$NIL) for the three and nine months ended September 30, 2011.

(3) Cash flow hedges are comprised of natural gas derivative instruments, and are net of income taxes of \$(11) (2010 \$(37)) for the three months ended September 30, 2011 and \$(11) (2010 \$(76)) for the nine months ended September 30, 2011.

(4) Net of income taxes of \$7 (2010 \$8) for the three months ended September 30, 2011 and \$23 (2010 \$22) for the nine months ended September 30, 2011. (See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Changes in Equity

(in millions of US dollars)

(unaudited)

		Equity Attributable to Common Shareholders			
		Accumulated	Other	Retained	Total
		Comprehensive	Comprehensive	Earnings	Equity
		Income	Income		
		Net	Net		
		Net	Net		
		unrealized	unrealized		
		gains	losses on		
		on	derivatives		
		available-for-	designated as		
Share	Contributed	sale	cash flow		
Capital	Surplus	investments	hedges		