POTASH CORP OF SASKATCHEWAN INC
Form 10-Q
August 06, 2008

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

# FORM 10-Q

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

**For the Quarterly Period Ended June 30, 2008**

**OR**

o **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** | **N/A** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **122 1st Avenue South Saskatoon, Saskatchewan, Canada** | **S7K 7G3** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**306-933-8500**
*(Registrant s telephone number, including area 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.

YES þ NO o

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 þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(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 o NO þ

As at July 31, 2008, Potash Corporation of Saskatchewan Inc. had 304,967,498 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 except share amounts)**
**(unaudited)**

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **$ 269.9** | $ 719.5 |
| Accounts receivable | **1,091.1** | 596.2 |
| Inventories (Note 2) | **605.0** | 428.1 |
| Prepaid expenses and other current assets | **57.0** | 36.7 |
| Current portion of derivative instrument assets | **96.1** | 30.8 |
| | **2,119.1** | 1,811.3 |
| Derivative instrument assets | **285.8** | 104.2 |
| Property, plant and equipment | **4,172.1** | 3,887.4 |
| Investments (Note 3) | **5,020.9** | 3,581.5 |
| Other assets | **262.0** | 210.7 |
| Intangible assets | **22.8** | 24.5 |
| Goodwill | **97.0** | 97.0 |
| | **$ 11,979.7** | $ 9,716.6 |
| **Liabilities** | | |
| Current liabilities | | |
| Short-term debt | **$ 932.3** | $ 90.0 |
| Accounts payable and accrued charges | **1,476.6** | 911.7 |
| Current portion of long-term debt | **0.2** | 0.2 |
| | **2,409.1** | 1,001.9 |
| Long-term debt | **1,339.2** | 1,339.4 |
| Future income tax liability | **1,237.9** | 988.1 |
| Accrued pension and other post-retirement benefits | **254.0** | 244.8 |

| | | |
|---|---|---|
| Accrued environmental costs and asset retirement obligations | **125.0** | 121.0 |
| Other non-current liabilities and deferred credits | **3.4** | 2.7 |
| | **5,368.6** | 3,697.9 |
| **Contingencies and Guarantees** (Notes 15 and 16, respectively) | | |
| **Shareholders Equity** | | |
| Share capital (Note 5) | **1,440.7** | 1,461.3 |
| Unlimited authorization of common shares without par value; issued and outstanding 306,596,987 and 316,411,209 at June 30, 2008 and December 31, 2007, respectively | | |
| Unlimited authorization of first preferred shares; none outstanding | | |
| Contributed surplus | **126.3** | 98.9 |
| Accumulated other comprehensive income | **3,337.9** | 2,178.9 |
| Retained earnings | **1,706.2** | 2,279.6 |
| | **6,611.1** | 6,018.7 |
| | **$ 11,979.7** | $ 9,716.6 |

(See Notes to the Condensed Consolidated Financial Statements)

**Potash Corporation of Saskatchewan Inc.**

**Condensed Consolidated Statements of Operations and Retained Earnings**
**(in millions of US dollars except per-share amounts)**
**(unaudited)**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| **Sales** (Note 9) | **$ 2,621.0** | $ 1,353.1 | **$ 4,511.6** | $ 2,507.8 |
| Less: Freight | **103.4** | 92.3 | **205.8** | 174.2 |
| Transportation and distribution | **33.3** | 32.6 | **65.6** | 63.6 |
| Cost of goods sold | **1,047.0** | 726.8 | **1,946.9** | 1,398.9 |
| **Gross Margin** | **1,437.3** | 501.4 | **2,293.3** | 871.1 |
| Selling and administrative | **79.7** | 73.5 | **126.9** | 114.1 |
| Provincial mining and other taxes | **163.0** | 34.6 | **262.4** | 67.1 |
| Foreign exchange loss (gain) | **1.9** | 39.5 | **(25.8)** | 41.5 |
| Other income (Note 12) | **(103.3)** | (68.5) | **(115.2)** | (82.2) |
| | **141.3** | 79.1 | **248.3** | 140.5 |
| **Operating Income** | **1,296.0** | 422.3 | **2,045.0** | 730.6 |
| **Interest Expense** (Note 13) | **15.7** | 20.8 | **26.9** | 46.3 |
| **Income Before Income Taxes** | **1,280.3** | 401.5 | **2,018.1** | 684.3 |
| **Income Taxes** (Note 7) | **375.2** | 115.8 | **547.0** | 200.6 |
| **Net Income** | **$ 905.1** | $ 285.7 | **1,471.1** | 483.7 |
| **Retained Earnings, Beginning of Period** | | | **2,279.6** | 1,286.4 |
| **Repurchase of Common Shares** (Note 5) | | | **(1,981.7)** | - |
| **Change in Accounting Policy** | | | **-** | 0.2 |
| **Dividends** | | | **(62.8)** | (47.3) |
| **Retained Earnings, End of Period** | | | **$ 1,706.2** | $ 1,723.0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Net Income Per Share** (Note 8) | | | | | | | | |
| **Basic** | **$** | **2.91** | $ | 0.91 | **$** | **4.70** | $ | 1.53 |
| **Diluted** | **$** | **2.82** | $ | 0.88 | **$** | **4.54** | $ | 1.50 |
| **Dividends Per Share** | **$** | **0.10** | $ | 0.10 | **$** | **0.20** | $ | 0.15 |

(See Notes to the Condensed Consolidated Financial Statements)

**Potash Corporation of Saskatchewan Inc.**

**Condensed Consolidated Statements of Cash Flow**
**(in millions of US dollars)**
**(unaudited)**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| **Operating Activities** | | | | |
| Net income | **$ 905.1** | $ 285.7 | **$ 1,471.1** | $ 483.7 |
| Adjustments to reconcile net income to cash provided by operating activities | | | | |
| Depreciation and amortization | **83.9** | 74.1 | **163.8** | 146.8 |
| Stock-based compensation | **25.1** | 27.8 | **27.9** | 30.5 |
| (Gain) loss on disposal of property, plant and equipment and long-term investments | **(6.9)** | 5.5 | **(6.8)** | 5.4 |
| Provision for auction rate securities | **0.7** | - | **43.8** | - |
| Foreign exchange on future income tax | **(4.6)** | 23.4 | **(9.3)** | 26.1 |
| Provision for future income tax | **47.4** | 41.8 | **26.8** | 67.2 |
| Undistributed earnings of equity investees | **(1.1)** | 11.1 | **(24.5)** | (1.9) |
| (Gain) loss on derivative instruments | **(1.9)** | 0.9 | **(19.0)** | (5.4) |
| Other long-term liabilities | **7.7** | 3.4 | **7.1** | 4.3 |
| Subtotal of adjustments | **150.3** | 188.0 | **209.8** | 273.0 |
| **Changes in non-cash operating working capital** | | | | |
| Accounts receivable | **(283.5)** | 11.1 | **(494.9)** | (39.7) |
| Inventories | **(106.2)** | 26.7 | **(229.3)** | 16.1 |
| Prepaid expenses and other current assets | **0.8** | 11.9 | **(23.4)** | 0.5 |
| Accounts payable and accrued charges | **228.1** | 2.7 | **403.6** | 112.1 |
| Subtotal of changes in non-cash operating working capital | **(160.8)** | 52.4 | **(344.0)** | 89.0 |
| **Cash provided by operating activities** | **894.6** | 526.1 | **1,336.9** | 845.7 |
| **Investing Activities** | | | | |
| Additions to property, plant and equipment | **(237.9)** | (127.5) | **(434.4)** | (236.5) |
| Purchase of long-term investments | **(89.6)** | - | **(264.1)** | (9.7) |

| | | | | |
|---|---|---|---|---|
| Proceeds from disposal of property, plant and equipment and long-term investments | **9.3** | 1.0 | **9.6** | 1.3 |
| Other assets and intangible assets | **(4.5)** | 12.5 | **(8.5)** | 10.7 |
| **Cash used in investing activities** | **(322.7)** | (114.0) | **(697.4)** | (234.2) |
| **Cash before financing activities** | **571.9** | 412.1 | **639.5** | 611.5 |
| **Financing Activities** | | | | |
| Repayment and issue costs of long-term debt obligations | **(0.2)** | (400.2) | **(0.2)** | (403.6) |
| Proceeds from (repayment of) short-term debt obligations | **828.9** | (9.5) | **842.4** | (71.3) |
| Dividends | **(30.7)** | (15.6) | **(62.5)** | (31.3) |
| Repurchase of common shares | **(1,476.6)** | - | **(1,897.1)** | - |
| Issuance of common shares | **12.0** | 8.4 | **28.3** | 18.7 |
| **Cash used in financing activities** | **(666.6)** | (416.9) | **(1,089.1)** | (487.5) |
| **(Decrease) Increase in Cash and Cash Equivalents** | **(94.7)** | (4.8) | **(449.6)** | 124.0 |
| **Cash and Cash Equivalents, Beginning of Period** | **364.6** | 454.5 | **719.5** | 325.7 |
| **Cash and Cash Equivalents, End of Period** | **$ 269.9** | $ 449.7 | **$ 269.9** | $ 449.7 |
| Cash and cash equivalents comprised of: | | | | |
| Cash | **$ 42.5** | $ 2.6 | **$ 42.5** | $ 2.6 |
| Short-term investments | **227.4** | 447.1 | **227.4** | 447.1 |
| | **$ 269.9** | $ 449.7 | **$ 269.9** | $ 449.7 |
| Supplemental cash flow disclosure | | | | |
| Interest paid | **$ 22.8** | $ 41.6 | **$ 37.1** | $ 55.8 |
| Income taxes paid | **$ 227.1** | $ 37.0 | **$ 385.6** | $ 69.1 |

(See Notes to the Condensed Consolidated Financial Statements)

**Potash Corporation of Saskatchewan Inc.**

**Condensed Consolidated Statements of Comprehensive Income**
**(in millions of US dollars)**
**(unaudited)**

| | Three Months Ended June 30, 2008 | | | Six Months Ended June 30, 2008 | | |
|---|---|---|---|---|---|---|
| | Before Income Taxes | Income Taxes | Net of Income Taxes | Before Income Taxes | Income Taxes | Net of Income Taxes |
| **Net income** | **$ 1,280.3** | **$ 375.2** | **$ 905.1** | **$ 2,018.1** | **$ 547.0** | **$ 1,471.1** |
| Other comprehensive income | | | | | | |
| Net increase in unrealized gains on available-for-sale securities(1) | 976.4 | 155.8 | 820.6 | 1,155.8 | 186.2 | 969.6 |
| Net gains on derivatives designated as cash flow hedges(2) | 216.9 | 62.3 | 154.6 | 279.9 | 81.2 | 198.7 |
| Reclassification to income of net gains on cash flow hedges(2) | (11.8) | (3.3) | (8.5) | (20.0) | (5.8) | (14.2) |
| Unrealized foreign exchange gains on translation of self-sustaining foreign operations | 3.3 | - | 3.3 | 4.9 | - | 4.9 |
| **Other comprehensive income** | **1,184.8** | **214.8** | **970.0** | **1,420.6** | **261.6** | **1,159.0** |
| **Comprehensive income** | **$ 2,465.1** | **$ 590.0** | **$ 1,875.1** | **$ 3,438.7** | **$ 808.6** | **$ 2,630.1** |

| | Three Months Ended June 30, 2007 | | | Six Months Ended June 30, 2007 | | |
|---|---|---|---|---|---|---|
| | Before Income Taxes | Income Taxes | Net of Income Taxes | Before Income Taxes | Income Taxes | Net of Income Taxes |
| **Net income** | **$ 401.5** | **$ 115.8** | **$ 285.7** | **$ 684.3** | **$ 200.6** | **$ 483.7** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other comprehensive income | | | | | | |
| Net increase in unrealized gains on available-for-sale securities[1] | 318.2 | 21.3 | 296.9 | 563.2 | 34.0 | 529.2 |
| Net (losses) gains on derivatives designated as cash flow hedges[2] | (4.2) | (1.2) | (3.0) | 30.9 | 9.3 | 21.6 |
| Reclassification to income of net gains on cash flow hedges[2] | (14.1) | (4.3) | (9.8) | (31.3) | (9.4) | (21.9) |
| Unrealized foreign exchange gains on translation of self-sustaining foreign operations | 0.3 | - | 0.3 | 4.9 | - | 4.9 |
| **Other comprehensive income** | **300.2** | **15.8** | **284.4** | **567.7** | **33.9** | **533.8** |
| **Comprehensive income** | **$ 701.7** | **$ 131.6** | **$ 570.1** | **$ 1,252.0** | **$ 234.5** | **$ 1,017.5** |

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

(2) Cash flow hedges are comprised of natural gas derivative instruments.

(See Notes to the Condensed Consolidated Financial Statements)

**Potash Corporation of Saskatchewan Inc.**

**Condensed Consolidated Statement of Accumulated Other Comprehensive Income**
**(in millions of US dollars)**
**(unaudited)**

| (Net of related income taxes) | Net unrealized gains on available-for-sale securities | Net unrealized gains on derivatives designated as cash flow hedges | Unrealized foreign exchange gains on self-sustaining foreign operations | Total |
|---|---|---|---|---|
| Accumulated other comprehensive income, December 31, 2007 | $ 2,098.7 | $ 73.5 | $ 6.7 | $ 2,178.9 |
| Increase for the six months ended June 30, 2008 | 969.6 | 184.5 | 4.9 | 1,159.0 |
| **Accumulated other comprehensive income, June 30, 2008** | **$ 3,068.3** | **$ 258.0** | **$ 11.6** | **3,337.9** |
| Retained Earnings, June 30, 2008 | | | | 1,706.2 |
| **Accumulated other comprehensive income and retained earnings, June 30, 2008** | | | | **$ 5,044.1** |

(See Notes to the Condensed Consolidated Financial Statements)

**Potash Corporation of Saskatchewan Inc.**

**Notes to the Condensed Consolidated Financial Statements**
**For the Three and Six Months Ended June 30, 2008**
**(in millions of US dollars except share, per-share, percentage and ratio amounts)**
**(unaudited)**

## 1. Significant Accounting Policies

***Basis of Presentation***

With its subsidiaries, Potash Corporation of Saskatchewan Inc. ( PCS ) together known as PotashCorp or the company except to the extent the context otherwise requires forms an integrated fertilizer and related industrial and feed products company. The company s accounting policies are in accordance with accounting principles generally accepted in Canada ( Canadian GAAP ). These policies are consistent with accounting principles generally accepted in the United States ( US GAAP ) in all material respects except as outlined in Note 17. The accounting policies used in preparing these interim condensed consolidated financial statements are consistent with those used in the preparation of the 2007 annual consolidated financial statements, except as described below.

These interim condensed consolidated financial statements include the accounts of PCS and its subsidiaries; however, they do not include all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the 2007 annual consolidated financial statements. In management s opinion, the unaudited financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

***Change in Accounting Policy***

*Inventories*

In June 2007, the Canadian Institute of Chartered Accountants ( CICA ) issued Section 3031, Inventories , which replaces Section 3030 and harmonizes the Canadian standard related to inventories with International Financial Reporting Standards ( IFRSs ). This standard provides more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; restricts the classification of spare and replacement parts as inventory; requires impairment testing; and expands the disclosure requirements to increase transparency. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. This standard has been applied prospectively; accordingly comparative amounts for prior periods have not been restated. The adoption of this standard resulted in a reclassification of certain spare and replacement parts to property, plant and equipment. The effects of the adjustment were to decrease inventory by $21.5 at January 1, 2008 and to increase property, plant and equipment by the same amount. Since there was no difference in the measurement of the assets, no adjustment to opening retained earnings was necessary.

***Recent Accounting Pronouncements***

*Capital Disclosures*

Effective January 1, 2008, the company adopted CICA Section 1535, Capital Disclosures . This pronouncement increases harmonization with IFRSs by establishing standards for disclosing information about an entity s capital and capital management. The company s adoption of Section 1535 has resulted in the capital management disclosure set

forth in Note 6.

*Financial Instruments*

Effective January 1, 2008, the company adopted CICA Section 3863, Financial Instruments Presentation and CICA Section 3862, Financial Instruments Disclosures , which increases harmonization with IFRSs. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals

with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities are offset. Section 3862 provides expanded disclosure requirements that call for additional detail by financial asset and liability categories. The applicable disclosures required under these standards are included in Note 4.

*International Financial Reporting Standards*

In April 2008, the CICA published the exposure draft Adopting IFRSs in Canada . The exposure draft proposes to incorporate IFRSs into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRSs. The company is currently reviewing the standards to determine the potential impact on its consolidated financial statements.

*Goodwill and Intangible Assets*

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets , which replaces Section 3062, Goodwill and Other Intangible Assets , and Section 3450, Research and Development Costs . The purpose of this section is to provide more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The Section harmonizes Canadian standards with IFRSs and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. It is not expected to have a material impact on the company s consolidated financial statements.

## 2. Inventories

| | June 30, 2008[(1)] | December 31, 2007 |
|---|---|---|
| Finished products | **$ 341.3** | $ 186.6 |
| Intermediate products | **99.0** | 70.7 |
| Raw materials | **72.3** | 68.0 |
| Materials and supplies | **92.4** | 102.8 |
| | **$ 605.0** | $ 428.1 |

(1) See change in accounting policy (Note 1).

During the three months ended June 30, 2008, inventories of $1,026.5 (2007 $710.1) were expensed and write-downs of inventory amounting to $1.0 (2007 $1.2) were included in cost of goods sold. During the six months ended June 30, 2008, inventories of $1,899.2 (2007 $1,374.2) were expensed and write-downs of inventory amounting to $1.6 (2007 $2.3) were included in cost of goods sold. No reversals of write-downs were recorded during the three and six months ended June 30, 2008 or 2007.

**3. Investments**

In January 2008, the company settled its forward purchase contract, which was denominated in Hong Kong dollars, to acquire an additional 194,290,175 shares of Sinofert Holdings Limited ( Sinofert ) for cash consideration of $173.7. A tax-exempt gain of $25.3 was recognized during 2008 as a result of the change in fair value of the contract from December 31, 2007 to the settlement date. During the second quarter of 2008, the company purchased an additional 102,128,000 shares in Sinofert for a total cost of $76.4. Net of the ownership interest dilution that resulted from the issuance of shares of Sinofert, the acquisitions increased the company s ownership interest in Sinofert to approximately 21 percent.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, the company considers the length of time and extent to which fair value has been below cost as well as the financial condition and near-term prospects of the investee as indicators that the securities are impaired. If any such evidence exists for

available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is removed from equity and recognized in the income statement.

Investments include auction rate securities that are classified as available-for-sale. The company has determined that the fair value of the auction rate securities was $46.9 at June 30, 2008 (face value $132.5) as compared to $56.0 at December 31, 2007 and $43.1 as of March 31, 2008. The changes in fair value, status of impaired investments and related accounting since December 31, 2007 were as follows:

| | **Fair Value** | **# Investments Considered Other-Than-Temporarily Impaired (of 6 Total)** | **Impacts of Impairments Recorded in AOCI and OCI** | **Impacts of Impairments Recorded in Retained Earnings and Net Income** |
|---|---|---|---|---|
| Balance, December 31, 2007 | $ 56.0 | 2 | $ 50.0 | $ 26.5 |
| Add: Recoveries in value of investments considered temporarily impaired at beginning of period | 0.2 | | (0.2) | - |
| Less: Reductions in value of investments considered temporarily impaired at beginning of period | (1.5) | | 1.5 | - |
| Less: Reductions in value of investments considered other-than-temporarily impaired at beginning of period | (11.6) | | | 11.6 |
| Transfer of investment impairments at end of period from temporarily impaired to other-than-temporarily impaired | - | 2 | (31.5) | 31.5 |
| Balance, March 31, 2008 | 43.1 | 4 | 19.8 | 69.6 |
| Add: Recoveries in value of investments considered temporarily impaired | 1.0 | | (1.0) | - |
| Add: Recoveries in value of investments considered other-than-temporarily impaired | 3.5 | | (3.5) | - |
| Less: Reductions in value of investments considered other-than-temporarily impaired | (0.7) | | - | 0.7 |

| | | | | |
|---|---|---|---|---|
| Balance, June 30, 2008 | $ 46.9 | 4 | $ 15.3 | $ 70.3 |

At June 30, 2008, the carrying value of auction rate securities considered to be other-than-temporarily impaired was $17.4. Interest income of $1.1 and $2.5 relating to auction rate securities was included in interest expense for the three and six month periods ending June 30, 2008, respectively. Market conditions that existed at the end of 2007 which caused the auction rate securities to be illiquid continued through the first half of 2008. The company is able to hold these securities until liquidity improves, but does not expect this to occur in the next 12 months.

The fair value of the auction rate securities was determined using a valuation methodology developed with the assistance of a valuation specialist. Due to the failed auction status and lack of liquidity in the market for such securities, the valuation methodology includes certain assumptions that were not supported by prices from observable current market transactions in the same instruments nor were they based on observable market data. With the assistance of a valuation specialist, the company estimated the fair value of the auction rate securities based on the following: (1) the underlying structure of each security; (2) the present value of future principal and interest payments discounted at rates considered to reflect current market conditions; (3) consideration of the probabilities of default, passing auction, or earning the maximum rate for each period; and (4) estimates of the recovery rates in

the event of defaults for each security. These estimated fair values could change significantly based on future market conditions.

## 4. Financial Instruments and Related Risk Management

The company is exposed in varying degrees to a variety of financial risks from its use of financial instruments: credit risk, liquidity risk and market risk. The source of risk exposure and how each is managed is outlined below.

### *Credit Risk*

The company is exposed to credit risk on its cash and cash equivalents, accounts receivable, derivative instrument assets and auction rate securities. The maximum exposure to credit risk, as represented by the carrying amount of the financial assets, was:

| | | **June 30, 2008** |
|---|---|---|
| Cash and cash equivalents | **$** | **269.9** |
| Accounts receivable | | **1,091.1** |
| Derivative instrument assets | | **381.9** |
| Available-for-sale investments | | |
| Auction rate securities | | **46.9** |

The maximum credit exposure associated with the derivative instrument assets does not take into consideration collateral held of $213.6.

The company manages its credit risk on cash and cash equivalents, derivative instrument assets and auction rate securities through practices guiding:

- Acceptable minimum counterparty credit ratings relating to the natural gas and foreign currency derivative instrument assets, and cash and cash equivalents

- Daily counterparty settlement on natural gas derivative instruments based on prescribed credit thresholds

- Exposure thresholds by counterparty on cash and cash equivalents

Derivative instrument assets are comprised of natural gas hedging instruments. At June 30, 2008, the company held cash margin deposits as collateral relating to these natural gas derivative financial instruments amounting to $213.6, which were included in accounts payable and accrued charges. The company has the right to sell, pledge, use as collateral, assign, invest, use or commingle or otherwise dispose of or use in its business any of the margin deposits held. All of the counterparties to the contracts comprising the derivative financial instruments in an asset position are of investment grade quality.

Accounts receivable is comprised of both trade and non-trade accounts. Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less allowance for doubtful accounts. An allowance for doubtful accounts is established when there is a reasonable expectation that the company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the trade accounts receivable is reduced through the use of the allowance account, and the amount of any increase in the allowance is

recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

The company seeks to manage the credit risk relating to its trade receivables through a credit management program. Credit approval policies and procedures are in place guiding the granting of credit to new customers as well as the continued extension of credit for existing customers. Existing customer accounts are reviewed every 12-18 months. Credit for international customers is extended based upon an evaluation of both customer and country risk. The company utilizes both external credit reporting, where available, as well as an assessment of other relevant information such as current financial statements, credit agency reports and/or credit references before assigning credit limits to customers. Customers that fail to meet specified benchmark creditworthiness may transact with the company on a prepayment basis.

The company does not hold any collateral as security.

The credit period on sales is generally 15 days for fertilizer customers, 30 days for industrial and feed customers and up to 180 days for selected export sales customers. Interest at 1.5% per month is charged on balances remaining unpaid at the end of the sale terms. The company has historically experienced minimal customer defaults and as a result the company considers the credit quality of the trade receivables at June 30, 2008 which are not past due to be high. The company had virtually no impaired accounts receivable. The aging of trade receivables that were past due but not impaired was as follows:

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| 1-15 days | **$ 40.6** | $ 36.7 |
| 16-30 days | **3.4** | 4.1 |
| 31-60 days | **1.3** | 0.9 |
| Greater than 60 days | **0.5** | 2.6 |
| | **$ 45.8** | $ 44.3 |

A reconciliation of the accounts receivable allowance for doubtful accounts is as follows:

| | As At and For the Six Months Ended June 30, 2008 | As At and For the Year Ended December 31, 2007 |
|---|---|---|
| Balance beginning of period | **$ 5.9** | $ 4.7 |
| Provision for receivables impairment | **1.1** | 1.9 |
| Receivables written off during the period as uncollectible | **(0.1)** | (0.7) |
| Balance end of period | **$ 6.9** | $ 5.9 |

Of total accounts receivable at June 30, 2008, $58.4 relates to non-trade accounts and $342.1 represents amounts receivable from Canpotex Limited ( Canpotex ). The company sells potash from its Saskatchewan mines for use outside North America exclusively to Canpotex. Sales to Canpotex are at prevailing market prices and are settled on normal trade terms. There are no amounts past due or impaired relating to the Canpotex or non-trade accounts receivable.

***Liquidity Risk***

Liquidity risk arises from the company s general funding needs and in the management of the company s assets, liabilities and optimal capital structure. The company manages its liquidity risk to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations in a cost-effective manner. In managing its liquidity risk, the company has access to a range of funding options. The table below outlines the company s available debt instruments:

| | June 30, 2008[1] | | | |
|---|---|---|---|---|
| | **Total Amount** | **Amount Outstanding** | **Amount Committed** | **Amount Available** |
| Syndicated credit facilities[1] | $ 1,750.0 | $ 200.0 | $ 733.1[2] | $ 816.9 |
| Line of credit | 75.0 | - | 22.7 | 52.3 |
| Commercial paper | 750.0 | 733.1[2] | - | 16.9 |
| US shelf registrations | 4,000.0 | 1,350.0 | - | 2,250.0[3] |

[1] Except for Syndicated credit facilities which are as of July 29, 2008. On July 29, 2008, $250.0 of capacity was added to the facilities.

[2] Per the terms of the agreements, the commercial paper outstanding or committed, as applicable, is based on the US dollar balance or equivalent thereof in lawful money of other currencies at the time of issue; therefore, subsequent changes in the exchange rate applicable to Canadian dollar denominated commercial paper have no impact on this balance.

(3) $400.0 of senior notes issued under one of the company s US shelf registration statements were repaid in full at maturity; no additional amount is available in respect of the principal of these senior notes.

The company has two syndicated credit facilities that provide for unsecured advances. The first is a $750.0 facility that provides for unsecured advances through May 31, 2013. The second is a $750.0 364-day facility entered into during May 2008 and amended, as of July 29, 2008, to increase the facility to $1,000.0. The amount available to the company is the total facilities amount less direct borrowings and amounts committed in respect of commercial paper. As of June 30, 2008, $200.0 of borrowings were outstanding under the 364-day facility. The $75.0 line of credit is effective through May 2009. Outstanding letters of credit and direct borrowings reduce the amount available. The commercial paper market is a source of same day cash for the company. Access to this source of short-term financing depends primarily on maintaining the company s R1 low credit rating by DBRS and conditions in the money markets. The company s investment grade rating as measured by Moody s senior debt ratings remained unchanged from December 31, 2007 at Baa1 with a stable outlook. Its investment grade rating as measured by Standard & Poor s senior debt ratings was upgraded in May 2008 from BBB+ with a stable outlook to BBB+ with a positive outlook. The company also has US shelf registration statements under which it may issue up to an additional $2,250.0 in unsecured debt securities.

The table below presents a maturity analysis of the company s financial liabilities based on the expected cash flows from the date of the balance sheet to the contractual maturity date. The amounts are the contractual undiscounted cash flows.

| | **Carrying Amount of Liability at June 30, 2008** | **Contractual Cash Flows** | **Within 1 year** | **1 to 3 years** | **3 to 5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|
| Short-term debt obligations[1] | $ 932.3 | $ 936.8 | $ 936.8 | $ - | $ - | $ - |
| Accounts payable and accrued charges[2] | 1,037.3 | 1,037.3 | 1,037.3 | - | - | - |
| Long-term debt obligations[1] | 1,358.3 | 2,437.8 | 96.3 | 794.4 | 354.0 | 1,193.1 |
| Derivative financial instrument liabilities | | | | | | |
| Foreign currency forward contracts | | | | | | |
| Outflow | | 441.5 | 441.5 | - | - | - |
| Inflow | | (441.5) | (441.5) | - | - | - |
| Natural gas non-hedging derivatives | 0.2 | 0.2 | 0.2 | - | - | - |

(1) Contractual cash flows include contractual interest payments related to debt obligations.

(2) Excludes taxes, deferred revenues and current portions of accrued environmental costs and asset retirement obligations and accrued pension and other post-retirement benefits. This also excludes derivative financial

instrument liabilities which have been presented separately.

***Market Risk***

Market risk is the risk that financial instrument fair values will fluctuate due to changes in market prices. The significant market risks to which the company is exposed are foreign exchange risk, interest rate risk and price risk (related to commodity and equity securities).

*Foreign Exchange Risk*

The company is exposed to foreign exchange risk primarily relating to Canadian dollar operating and capital expenditures, income and resource taxes, dividends and capital expenditures denominated in currencies other than the US or Canadian dollar. To manage the company s foreign exchange risk arising from future operating and capital expenditures it may enter into foreign currency forward contracts. The company s treasury risk management policies allow such exposures to be hedged within certain prescribed limits for both forecasted operating and approved capital expenditures. The foreign currency forward contracts are not currently designated as hedging instruments for accounting purposes.

As at June 30, 2008, the company had entered into foreign currency forward contracts to sell US dollars and receive Canadian dollars in the notional amount of $440.0 (2007 $103.0) at an average exchange rate of 1.0202 (2007 1.0690) per US dollar. The company had also entered into other small forward contracts. Maturity dates for all forward contracts are within 2008 and 2009.

The company has certain available-for-sale investments listed on foreign exchanges and denominated in currencies other than the US dollar for which the company is exposed to foreign exchange risk. These investments are held for long-term strategic purposes.

The following table shows the company s exposure to exchange risk and the pre-tax effects on income and other comprehensive income ( OCI ) of reasonably possible changes in the relevant foreign currency. This analysis assumes all other variables remain constant.

| | | **Foreign Exchange Risk** | | | |
|---|---|---|---|---|---|
| | **Carrying Amount of Asset (Liability) at June 30, 2008** | **5% increase in US$** | | **5% decrease in US$** | |
| | | **Income** | **OCI** | **Income** | **OCI** |
| Cash and cash equivalents denominated in Canadian dollars | $ 2.1 | $ (0.1) | $ - | $ 0.1 | $ - |
| Accounts receivable denominated in Canadian dollars | 17.9 | (0.9) | - | 0.9 | - |
| Available-for-sale investments | | | | | |
| Israel Chemical Ltd. denominated in New Israeli Shekels | 3,007.2 | - | (150.4) | - | 150.4 |
| Sinofert denominated in Hong Kong dollars | 1,121.8 | - | (56.1) | - | 56.1 |
| Short-term debt denominated in Canadian dollars | (177.9) | 8.9 | | (8.9) | |
| Accounts payable denominated in Canadian dollars | (84.2) | 4.2 | - | (4.2) | - |
| Derivative instruments | | | | | |
| Foreign currency forward contracts | - | (21.9) | - | 21.9 | - |

*Interest Rate Risk*

Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. With respect to the company s debt portfolio, it addresses interest rate risk by using a diversified portfolio of fixed and floating rate instruments. This exposure is also managed by aligning current and long-term assets with demand and fixed-term debt and by monitoring the effects of market changes in interest rates. Interest rate swaps can and have been used by the company to further manage its interest rate exposure. Since most of the company s outstanding borrowings have fixed interest rates, the primary market risk exposure is to changes in fair value.

The company is also exposed to changes in interest rates related to its investments in marketable securities and auction rate securities. With respect to marketable securities, included in cash and cash equivalents, the company s primary

objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. The company s treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparty, and minimum credit ratings.

The following table shows the company s exposure to interest rate risk and the pre-tax effects on net income and other comprehensive income of reasonably possible changes in the relevant interest rates. This analysis assumes all other variables remain constant.

| | Carrying Amount of Asset (Liability) at June 30, 2008 | Interest Rate Risk | | | |
|---|---|---|---|---|---|
| | | 1% decrease in interest rates | | 1% increase in interest rates | |
| | | Income | OCI | Income | OCI |
| Fixed rate instruments | | | | | |
| Long-term debt obligations[1] | $ (1,352.4) | $ - | $ - | $ - | $ - |
| Variable rate instruments | | | | | |
| Cash and cash equivalents | 269.9 | (2.7) | - | 2.7 | - |
| Available-for-sale investments | | | | | |
| Auction rate securities | 46.9 | (1.3) | - | 1.3 | - |
| Long-term debt obligations | (5.9) | 0.1 | - | (0.1) | - |
| Short-term debt obligations | (932.3) | 9.3 | - | (9.3) | - |

[1] The company does not account for any fixed rate debt through income. Therefore, changes in interest rates will not affect income or OCI related to this debt.

*Price Risk*

The company is exposed to commodity price risk resulting from its natural gas requirements. Its natural gas strategy is based on diversification for its total gas requirements (which represent the forecast consumption of natural gas volumes by its manufacturing and mining facilities). Its objective is to acquire a reliable supply of natural gas feedstock and fuel on a location-adjusted, cost competitive basis in a manner that minimizes volatility without undue risk. The company employs derivative commodity instruments related to a portion of its natural gas requirements (primarily futures, swaps and options) for the purpose of managing its exposure to commodity price risk in the purchase of natural gas, not for speculative or trading purposes. The company has an Advisory Committee, comprised of members from senior management, responsible for developing policies and establishing procedural requirements relating to its natural gas activities. Such policies include the establishment of limits for the portion of its natural gas requirements that will be hedged as well as the types of instruments that may be utilized for such hedging activities.

The company is also exposed to equity securities price risk because of its exchange-traded available-for-sale securities. These investments, other than the auction rate securities, are held for long-term strategic purposes. The price risk related to auction rate securities results from the current lack of an active market in which the company is able to liquidate such securities and from credit risk as discussed above.

The following table shows the company s exposure to price risk and the pre-tax effects on net income and other comprehensive income of reasonably possible changes in the relevant commodity or securities prices. This analysis assumes all other variables remain constant.

| Price Risk | |
|---|---|
| 10% decrease | 10% increase |

| | Carrying Amount of Asset (Liability) at June 30, 2008 | in prices | | in prices | |
|---|---|---|---|---|---|
| | | Income | OCI | Income | OCI |
| Derivative instruments | | | | | |
| Natural gas hedging derivatives[1][2] | $ 381.9 | $ - | $ (109.7) | $ - | $ 109.7 |
| Natural gas non-hedging derivatives | (0.2) | (0.2) | - | 0.2 | - |
| Available-for-sale investments | | | | | |
| Intercorporate investments | 4,129.0 | - | (412.9) | - | 412.9 |
| Auction rate securities[3] | 46.9 | n/a | n/a | n/a | n/a |

(1) All hedge relationships are assumed to be fully effective for purposes of this analysis; therefore, no proportion of a change in price is assumed to impact net income.

(2) As at June 30, 2008, the company had natural gas derivatives qualifying for hedge accounting in the form of swaps which represented a notional amount of 110.9 million MMBtu with maturities in 2008 through 2018.

(3) Due to the current lack of an active market for these securities, price sensitivities are not determinable.

The sensitivity analyses included in the tables above should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to period-end balances and will change due to fluctuations in the balances throughout the year. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instrument was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

***Supplemental Disclosures***

Financial assets are recognized initially at fair value, normally being the transaction price plus, other than for held-for-trading assets, directly attributable transaction costs. Regular way purchases and sales of financial assets are accounted for on trade date.

## 5. Share Repurchase

On January 23, 2008, the Board of Directors of PCS authorized a share repurchase program of up to 15,820,000 common shares (approximately 5 percent of the company s issued and outstanding common shares) through a normal course issuer bid. If considered advisable, shares may be repurchased from time to time on the open market through January 30, 2009 at prevailing market prices. The timing and amount of purchases, if any, under the program will be dependent upon the availability and alternative uses of capital, market conditions and other factors.

During the three months ended June 30, 2008, the company repurchased for cancellation 7,456,700 common shares under the program, at a cost of $1,515.9 and an average price per share of $203.30. The repurchase resulted in a reduction of share capital of $34.8, and the excess of net cost over the average book value of the shares of $1,481.1 has been recorded as a reduction of retained earnings. During the six months ended June 30, 2008, 10,855,500 shares were repurchased at a cost of $2,032.2 and an average price per share of $187.21, resulting in a reduction of share capital of $50.5 and a reduction in retained earnings of $1,981.7. Of the $2,032.2 of common shares repurchased with trade dates through June 30, 2008, $1,897.1 had settled in cash by the close of the quarter.

## 6. Capital Disclosures

The company s objectives when managing its capital are to maintain financial flexibility while managing its cost of and optimizing access to capital. In order to achieve these objectives, the company s strategy, which was unchanged from 2007, was to maintain its investment grade credit rating.

The company includes net debt and adjusted shareholders equity as components of its capital structure. The calculation of net debt, adjusted shareholders equity and adjusted capital are set out in the following table:

| | **June 30, 2008** | **December 31, 2007** |
|---|---|---|
| Short-term debt | **$ 932.3** | $ 90.0 |
| Current portion of long-term debt | **0.2** | 0.2 |
| Long-term debt | **1,339.2** | 1,339.4 |

| | | |
|---|---|---|
| **Total debt** | **2,271.7** | 1,429.6 |
| Less: cash and cash equivalents | **269.9** | 719.5 |
| **Net debt** | **2,001.8** | 710.1 |
| Shareholders equity | **6,611.1** | 6,018.7 |
| Less: accumulated other comprehensive income | **3,337.9** | 2,178.9 |
| **Adjusted shareholders equity** | **3,273.2** | 3,839.8 |
| **Adjusted capital**[1] | **$ 5,275.0** | $ 4,549.9 |

[1] Adjusted capital = (total debt − cash and cash equivalents) + (shareholders equity − accumulated other comprehensive income)

The company monitors capital on the basis of a number of factors, including the ratios of: adjusted earnings before interest expense, income taxes, depreciation and amortization, and provision for auction rate securities ( adjusted EBITDA ) to adjusted interest expense; net debt to adjusted EBITDA and net debt to adjusted capital. Adjusted EBITDA to adjusted interest expense and net debt to adjusted EBITDA are calculated utilizing twelve-month trailing adjusted EBITDA and adjusted interest expense.

| | As At or For the 12 Months Ended | |
|---|---|---|
| | **June 30, 2008** | **December 31, 2007** |
| Components of ratios | | |
| Adjusted EBITDA (twelve months ended) | **$ 3,281.5** | $ 1,906.3 |
| Net debt | **$ 2,001.8** | $ 710.1 |
| Adjusted interest expense (twelve months ended) | **$ 81.2** | $ 90.5 |
| Adjusted capital | **$ 5,275.0** | $ 4,549.9 |
| Ratios | | |
| Adjusted EBITDA to adjusted interest expense(1) | **40.4** | 21.1 |
| Net debt to adjusted EBITDA(2) | **0.6** | 0.4 |
| Net debt to adjusted capital(3) | **37.9%** | 15.6% |

(1) Adjusted EBITDA to adjusted interest expense = adjusted EBITDA (twelve months ended) / adjusted interest expense (twelve months ended)

(2) Net debt to adjusted EBITDA = (total debt – cash and cash equivalents) / adjusted EBITDA (twelve months ended)

(3) Net debt to adjusted capital = (total debt – cash and cash equivalents) / (total debt – cash and cash equivalents + total shareholders equity – accumulated other comprehensive income)

The company monitors its capital structure and, based on changes in economic conditions, may adjust the structure through adjustments to the amount of dividends paid to shareholders, repurchase of shares, issuance of new shares, or issuance of new debt.

The increase in adjusted EBITDA to adjusted interest expense is a result of operating results and a reduction in interest expense. The net debt to adjusted EBITDA ratio remained constant as improved operating results were offset by an increase in net debt. The increase in net debt led to the increase in the net debt to adjusted capital ratio.

The calculations of the twelve-month trailing net income, adjusted EBITDA, interest expense and adjusted interest expense are set out in the following tables:

| Twelve Months Ended | Three Months Ended | Twelve Months Ended |
|---|---|---|

| | **June 30, 2008** | **June 30, 2008** | **March 31, 2008** | **December 31, 2007** | **September 30, 2007** | **December 31, 2007** |
|---|---|---|---|---|---|---|
| **Net income** | **$ 2,091.0** | $ 905.1 | $ 566.0 | $ 376.8 | $ 243.1 | $ 1,103.6 |
| Income taxes | **762.6** | 375.2 | 171.8 | 65.2 | 150.4 | 416.2 |
| Interest expense | **49.3** | 15.7 | 11.2 | 9.7 | 12.7 | 68.7 |
| Depreciation and amortization | **308.3** | 83.9 | 79.9 | 75.0 | 69.5 | 291.3 |
| Provision for auction rate securities | **70.3** | 0.7 | 43.1 | 26.5 | - | 26.5 |
| **Adjusted EBITDA** | **$ 3,281.5** | $ 1,380.6 | $ 872.0 | $ 553.2 | $ 475.7 | $ 1,906.3 |

| | **Twelve Months Ended** | **Three Months Ended** | | | | **Twelve Months Ended** |
|---|---|---|---|---|---|---|
| | **June 30, 2008** | **June 30, 2008** | **March 31, 2008** | **December 31, 2007** | **September 30, 2007** | **December 31, 2007** |
| **Interest expense** | **$ 49.3** | $ 15.7 | $ 11.2 | $ 9.7 | $ 12.7 | $ 68.7 |
| Capitalized interest | **31.9** | 10.5 | 8.4 | 7.3 | 5.7 | 21.8 |
| **Adjusted interest expense** | **$ 81.2** | $ 26.2 | $ 19.6 | $ 17.0 | $ 18.4 | $ 90.5 |

**7. Income Taxes**

The company s consolidated reported income tax rate for the three months ended June 30, 2008 was approximately 29 percent (2007 29 percent) and for the six months ended June 30, 2008 was approximately 27 percent (2007 29 percent). For the three and six months ended June 30, 2008, the consolidated effective income tax rate was 29 percent (2007 30 percent). Items to note include the following:

A scheduled one and a half percentage point reduction in the Canadian federal income tax rate applicable to resource companies along with the elimination of the one percent surtax became effective at the beginning of 2008. In addition, there was an increase in permanent deductions in the US.

As a result of the higher permanent deductions in the US, it was determined that the consolidated effective income tax rate for the 2008 year had decreased from 30 percent to 29 percent. The impact of this change on the prior period was reflected during the second quarter.

Future income tax assets were written down by $11.0 during the second quarter of 2008.

During the first quarter of 2008, an income tax recovery of $42.0 was recorded that related to an increase in permanent deductions in the US from prior years.

The $25.3 gain recognized in first-quarter 2008 as a result of the change in fair value of the forward purchase contract for shares in Sinofert was not taxable.

**8. Net Income Per Share**

Basic net income per share for the quarter is calculated on the weighted average shares issued and outstanding for the three months ended June 30, 2008 of 310,615,000 (2007 315,458,000). Basic net income per share for the year to date is calculated based on the weighted average shares issued and outstanding for the six months ended June 30, 2008 of 313,138,000 (2007 315,180,000).

Diluted net income per share is calculated based on the weighted average number of shares issued and outstanding during the period. The denominator is: (1) increased by the total of the additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price for the period; and (2) decreased by the number of shares that the company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period. The weighted average number of shares outstanding for the diluted net income per share calculation for the three months ended June 30, 2008 was 321,089,000 (2007 323,674,000) and for the six months ended June 30, 2008 was 323,716,000 (2007 323,139,000).

**9. Segment Information**

The company has three reportable business segments: potash, nitrogen and phosphate. These business segments are differentiated by the chemical nutrient contained in the product that each produces. Inter-segment sales are made under terms that approximate market value. The accounting policies of the segments are the same as those described in Note 1.

**Three Months Ended June 30, 2008**

| | Potash | Nitrogen | Phosphate | All Others | Consolidated |
|---|---|---|---|---|---|
| Sales | **$ 1,194.5** | **$ 644.5** | **$ 782.0** | **$ -** | **$ 2,621.0** |
| Freight | **60.3** | **13.3** | **29.8** | **-** | **103.4** |
| Transportation and distribution | **13.9** | **11.0** | **8.4** | **-** | **33.3** |
| Net sales third party | **1,120.3** | **620.2** | **743.8** | **-** | |
| Cost of goods sold | **233.9** | **410.2** | **402.9** | **-** | **1,047.0** |
| Gross margin | **886.4** | **210.0** | **340.9** | **-** | **1,437.3** |
| Depreciation and amortization | **24.0** | **22.3** | **35.7** | **1.9** | **83.9** |
| Inter-segment sales | **-** | **40.6** | **10.5** | **-** | **-** |

| | Three Months Ended June 30, 2007 | | | | |
|---|---|---|---|---|---|
| | Potash | Nitrogen | Phosphate | All Others | Consolidated |

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