POTASH CORP OF SASKATCHEWAN INC
Form 10-Q
November 05, 2009

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 September 30, 2009

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 *(State or other jurisdiction of incorporation or organization)*	**N/A** *(I.R.S. Employer Identification No.)*
122 1st Avenue South **Saskatoon, Saskatchewan, Canada** *(Address of principal executive offices)*	**S7K 7G3** *(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 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 **o** 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 (Do not check if a smaller reporting company) Smaller reporting company o

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 October 31, 2009, Potash Corporation of Saskatchewan Inc. had 295,881,482 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)

	September 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ **391.2**	$ 276.8
Accounts receivable (Note 2)	**1,138.5**	1,189.9
Inventories (Note 3)	**639.9**	714.9
Prepaid expenses and other current assets	**161.4**	85.6
	2,331.0	2,267.2
Property, plant and equipment	**5,890.7**	4,812.2
Investments	**3,322.5**	2,750.7

Other assets	**342.4**	300.2
Intangible assets	**20.0**	21.5
Goodwill	**97.0**	97.0
	$ 12,003.6	$ 10,248.8
Liabilities		
Current liabilities		
Short-term debt and current portion of long-term debt (Note 4)	**$ 489.5**	$ 1,324.1
Accounts payable and accrued charges	**704.0**	1,183.6
Current portion of derivative instrument liabilities	**58.7**	108.1
	1,252.2	2,615.8
Long-term debt (Note 5)	**3,499.0**	1,739.5
Derivative instrument liabilities	**104.2**	120.4
Future income tax liability	**881.1**	794.2
Accrued pension and other post-retirement benefits	**274.5**	253.4
Accrued environmental costs and asset retirement obligations	**135.0**	133.4
Other non-current liabilities and deferred credits	**3.6**	3.2
	6,149.6	5,659.9
Contingencies and Guarantees (Notes 16 and 17, respectively)		
Shareholders Equity		
Share capital	**1,425.9**	1,402.5
Unlimited authorization of common shares without par value; issued and outstanding 295,832,782 and 295,200,987 at September 30, 2009 and December 31, 2008, respectively		
Unlimited authorization of first preferred shares; none outstanding		
Contributed surplus	**147.0**	126.2
Accumulated other comprehensive income	**1,223.3**	657.9
Retained earnings	**3,057.8**	2,402.3
	5,854.0	4,588.9
	$ 12,003.6	$ 10,248.8

(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 September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Sales (Note 7)	**$ 1,099.1**	$ 3,064.3	**$ 2,877.6**	$ 7,575.9
Less: Freight	**53.7**	81.4	**130.2**	287.2
Transportation and distribution	**36.3**	31.6	**101.0**	97.2
Cost of goods sold	**662.9**	1,210.3	**1,900.0**	3,157.2
Gross Margin	**346.2**	1,741.0	**746.4**	4,034.3
Selling and administrative	**35.9**	31.7	**132.7**	158.6
Provincial mining and other taxes	**2.1**	172.0	**17.0**	434.4
Foreign exchange gain	**(9.0)**	(37.4)	**(1.3)**	(63.2)
Other income (Note 10)	**(41.2)**	(140.0)	**(264.6)**	(255.2)
	(12.2)	26.3	**(116.2)**	274.6
Operating Income	**358.4**	1,714.7	**862.6**	3,759.7
Interest Expense (Note 11)	**31.1**	15.3	**80.8**	42.2
Income Before Income Taxes	**327.3**	1,699.4	**781.8**	3,717.5
Income Taxes (Note 12)	**78.5**	463.3	**37.6**	1,010.3
Net Income	**$ 248.8**	$ 1,236.1	**744.2**	2,707.2
Retained Earnings, Beginning of Period			**2,402.3**	2,279.6
Repurchase of Common Shares			**-**	(2,829.1)
Dividends			**(88.7)**	(92.5)
Retained Earnings, End of Period			**$ 3,057.8**	$ 2,065.2

Net Income Per Share (Note 13)								
Basic	**$**	**0.84**	$	4.07	**$**	**2.52**	$	8.73
Diluted	**$**	**0.82**	$	3.93	**$**	**2.45**	$	8.45
Dividends Per Share	**$**	**0.10**	$	0.10	**$**	**0.30**	$	0.30

(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 September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Operating Activities				
Net income	**$ 248.8**	$ 1,236.1	**$ 744.2**	$ 2,707.2
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**83.4**	83.3	**227.5**	247.1
Stock-based compensation	**3.6**	4.2	**26.2**	32.1
Loss (gain) on disposal of property, plant and equipment	**7.0**	(21.5)	**8.4**	(28.3)
Provision for (gain on disposal of) auction rate securities	**-**	27.5	**(115.3)**	71.3
Foreign exchange on future income tax	**1.1**	(14.6)	**(1.0)**	(23.9)
Provision for future income tax	**140.9**	48.7	**65.8**	75.5
Undistributed earnings of equity investees	**(32.5)**	(109.3)	**(1.3)**	(133.8)
Derivative instruments	**(28.2)**	0.6	**(70.0)**	(18.4)
Other long-term liabilities	**(64.3)**	(4.3)	**(37.1)**	2.8
Subtotal of adjustments	**111.0**	14.6	**103.2**	224.4
Changes in non-cash operating working capital				
Accounts receivable	**(139.0)**	(281.9)	**52.9**	(776.8)
Inventories	**9.4**	(131.2)	**70.5**	(360.5)
Prepaid expenses and other current assets	**44.4**	(10.7)	**(9.2)**	(34.1)
Accounts payable and accrued charges	**46.2**	86.1	**(605.8)**	489.7
Subtotal of changes in non-cash operating working capital	**(39.0)**	(337.7)	**(491.6)**	(681.7)
Cash provided by operating activities	**320.8**	913.0	**355.8**	2,249.9
Investing Activities				
Additions to property, plant and equipment	**(424.5)**	(336.2)	**(1,190.2)**	(770.6)
Purchase of long-term investments	**-**	(78.3)	**-**	(329.5)

Proceeds from disposal of property, plant and equipment		**0.1**		31.3		**15.9**		40.9
Proceeds from disposal of auction rate securities		**-**		-		**132.5**		-
Other assets and intangible assets		**(25.6)**		(11.7)		**(36.1)**		(33.1)
Cash used in investing activities		**(450.0)**		(394.9)		**(1,077.9)**		(1,092.3)
Cash before financing activities		**(129.2)**		518.1		**(722.1)**		1,157.6
Financing Activities								
Proceeds from long-term debt obligations		**1,478.7**		-		**4,033.7**		-
Repayments of and finance costs on long-term debt obligations		**(1,062.2)**		-		**(3,291.4)**		(0.2)
(Repayments of) proceeds from short-term debt obligations		**(246.2)**		743.9		**165.3**		1,586.3
Dividends		**(29.2)**		(29.8)		**(87.9)**		(92.3)
Repurchase of common shares		**-**		(1,005.8)		**-**		(2,902.9)
Issuance of common shares		**8.0**		3.2		**16.8**		31.5
Cash provided by (used in) financing activities		**149.1**		(288.5)		**836.5**		(1,377.6)
Increase (Decrease) in Cash and Cash Equivalents		**19.9**		229.6		**114.4**		(220.0)
Cash and Cash Equivalents, Beginning of Period		**371.3**		269.9		**276.8**		719.5
Cash and Cash Equivalents, End of Period	**$**	**391.2**	$	499.5	**$**	**391.2**	$	499.5
Cash and cash equivalents comprised of:								
Cash	**$**	**98.5**	$	62.5	**$**	**98.5**	$	62.5
Short-term investments		**292.7**		437.0		**292.7**		437.0
	$	**391.2**	$	499.5	**$**	**391.2**	$	499.5
Supplemental cash flow disclosure								
Interest paid	**$**	**10.1**	$	14.3	**$**	**56.1**	$	51.4
Income taxes paid	**$**	**3.0**	$	210.1	**$**	**739.2**	$	595.7

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Net of related income taxes)	**2009**	**2008**	**2009**	**2008**
Net income	**$ 248.8**	$ 1,236.1	**$ 744.2**	$ 2,707.2
Other comprehensive income				
Net increase (decrease) in unrealized gains on available-for-sale securities[1]	**115.8**	(1,371.8)	**553.4**	(402.2)
Net losses on derivatives designated as cash flow hedges[2]	**(11.1)**	(258.9)	**(39.9)**	(60.2)
Reclassification to income of net losses (gains) on cash flow hedges[3]	**14.5**	(0.2)	**39.9**	(14.4)
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	**4.7**	(7.2)	**12.0**	(2.3)
Other comprehensive income (loss)	**123.9**	(1,638.1)	**565.4**	(479.1)
Comprehensive income (loss)	**$ 372.7**	$ (402.0)	**$ 1,309.6**	$ 2,228.1

[1] Available-for-sale securities are comprised of shares in Israel Chemicals Ltd. and Sinofert Holdings Limited and investments in auction rate securities. The amounts are net of income taxes of $NIL (2008 $(129.2)) for the three months ended September 30, 2009 and $26.5 (2008 $57.0) for the nine months ended September 30, 2009.

[2] Cash flow hedges are comprised of natural gas derivative instruments, and are net of income taxes of $(6.8) (2008 $(105.8)) for the three months ended September 30, 2009 and $(24.3) (2008 $(24.6)) for the nine months ended September 30, 2009.

[3] Net of income taxes of $8.9 (2008 $(0.1)) for the three months ended September 30, 2009 and $24.3 (2008 $(5.9)) for the nine months ended September 30, 2009.

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

(Net of related income taxes)	**September 30, 2009**	December 31, 2008
Net unrealized gains on available-for-sale securities[1]	**$ 1,315.2**	$ 761.8
Net unrealized losses on derivatives designated as cash flow hedges[2]	**(100.6)**	(100.6)
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	**8.7**	(3.3)
Accumulated other comprehensive income	**1,223.3**	657.9
Retained earnings	**3,057.8**	2,402.3
Accumulated Other Comprehensive Income and Retained Earnings	**$ 4,281.1**	$ 3,060.2

[1] $1,465.5 before income taxes (2008 $885.7)

[2] $(160.2) before income taxes (2008 $(160.2))

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Notes to the Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2009
(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 19. The accounting policies used in preparing these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the 2008 annual consolidated financial statements, except as described below.

These unaudited 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 2008 annual consolidated financial statements. In management s opinion, the unaudited interim condensed consolidated 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

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants (CICA) issued amended accounting standards on goodwill and intangible assets, and research and development expenditures. The amended standards provide more specific guidance on the recognition of internally developed intangible assets, and require that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The standards substantially harmonize Canadian standards with International Financial Reporting Standards (IFRSs) and were retrospectively applied on January 1, 2009.

Also in February 2008, the CICA withdrew and amended certain standards which the CICA concluded permitted deferral of costs that did not meet the definition of an asset. The amendments were retrospectively applied on January 1, 2009.

The implementation of these standards did not have a material impact on the company s consolidated financial statements.

Recent Accounting Pronouncements

IFRSs

In April 2008, March 2009 and October 2009, the CICA s Accounting Standards Board (AcSB) published exposure drafts on Adopting IFRSs in Canada . The exposure drafts propose to incorporate the 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 in Canada will be required to prepare financial statements in accordance with IFRSs. The exposure drafts make possible the early adoption of IFRSs by Canadian entities. Also, in October 2009, the AcSB issued the exposure draft Improvements to IFRSs to incorporate into Canadian GAAP the amendments to IFRSs that result from an exposure draft issued by the International Accounting Standards Board (IASB). The IASB s exposure draft deals with minor amendments and focuses on areas of inconsistency in standards or where clarification of wording is required. It is expected that the

amendments will be effective January 1, 2011. The company is currently reviewing the standards to determine the potential impact on its consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA (EIC) issued guidance on the implications of credit risk in determining fair value of an entity s financial assets and financial liabilities. The guidance clarifies that an entity s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The conclusions of the EIC were effective from the date of issuance of the abstract and did not have any impact on the company s consolidated financial statements.

Business Combinations

In January 2009, the AcSB issued revised accounting standards in regards to business combinations with the intent of harmonizing those standards with IFRSs. The revised standards require the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establish the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. These standards apply prospectively to business combinations for which the acquisition date is after the beginning of the first annual reporting period beginning on or after January 1, 2011. The company is currently reviewing the standards to determine the impact, if any, on its consolidated financial statements.

Noncontrolling Interests in Consolidated Financial Statements

In January 2009, the AcSB issued accounting standards to require all entities to report noncontrolling (minority) interests as equity in consolidated financial statements. The standards eliminate the disparate treatment that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. These standards will be retrospectively applied on January 1, 2011. The company is currently reviewing the standards to determine the impact, if any, on its consolidated financial statements.

Mining Exploration Costs

In March 2009, the EIC issued guidance to clarify when an enterprise may capitalize mining exploration costs and when and how impairment of exploration costs is determined. The guidance is effective for financial statements issued subsequent to its release. The conclusions of the EIC did not have any impact on the company s consolidated financial statements.

Financial Instrument Disclosure

In June 2009, the AcSB amended certain requirements related to financial instrument disclosure in response to amendments issued by the IASB. The AcSB s amendments are consistent with its strategy to adopt IFRSs and to ensure the existing disclosure requirements for financial instruments are converged to IFRSs to the extent possible. The new disclosure standards require disclosure of fair values based on a fair value hierarchy as well as enhanced discussion and quantitative disclosure related to liquidity risk. The amended disclosure requirements will be applied to our December 31, 2009 annual financial statements.

2. Accounts Receivable

	September 30, 2009	December 31, 2008
Trade accounts	**$ 476.7**	$ 1,033.9
Less allowance for doubtful accounts	**(8.5)**	(7.7)
	468.2	1,026.2
Taxes receivable	**511.1**	-
Margin deposit on derivative instruments	**89.9**	91.1
Other non-trade accounts	**69.3**	72.6
	$ 1,138.5	$ 1,189.9

3. Inventories

	September 30, 2009	December 31, 2008
Finished products	**$ 320.7**	$ 421.8
Intermediate products	**163.1**	117.1
Raw materials	**45.8**	67.8
Materials and supplies	**110.3**	108.2
	$ 639.9	$ 714.9

During the three and nine months ended September 30, 2009, inventories of $579.5 (2008 $1,158.6) and $1,581.3 (2008 $3,057.8), respectively, were expensed through cost of goods sold. Writedowns of finished products, intermediate products and raw materials of $5.0, $4.7 and $1.4, respectively, were included in cost of goods sold during the three months ended September 30, 2009 (2008 $NIL). During the nine months ended September 30, 2009, writedowns of finished products, intermediate products and raw materials of $45.2, $4.7 and $1.4, respectively, were included in cost of goods sold (2008 $NIL). For the three and nine months ended September 30, 2009, the company recorded reversals of previous writedowns of finished products in the amount of $1.7 and $7.3, respectively (2008 $NIL). The carrying amount of inventory recorded at net realizable value was $59.8 at September 30, 2009 and $181.3 at December 31, 2008 with the remaining inventory recorded at cost.

4. Short-Term Debt and Current Portion of Long-Term Debt

	September 30, 2009	December 31, 2008
Commercial paper	**$ 489.2**	$ 324.8
Credit facility	**-**	1,000.0
	489.2	1,324.8
Current portion of long-term debt	**0.3**	0.2
Less net unamortized debt costs	**-**	(0.9)
	$ 489.5	$ 1,324.1

As of December 31, 2008, the company had a $1,000.0 364-day credit facility that was due on May 28, 2009, under which draws of $1,000.0 were classified as short-term debt. Effective January 21, 2009, the facility was amended to increase available borrowings to $1,500.0 and to extend the maturity date to May 28, 2010. The amount available under the credit facility was again increased on March 5, 2009 to $1,850.0. No amounts were outstanding under this credit facility at September 30, 2009.

5. Long-Term Debt

	September 30, 2009	December 31, 2008
Senior notes		
7.750% notes due May 31, 2011	**$ 600.0**	$ 600.0
4.875% notes due March 1, 2013	**250.0**	250.0
5.250% notes due May 15, 2014	**500.0**	-
3.750% notes due September 30, 2015	**500.0**	-
6.500% notes due May 15, 2019	**500.0**	-
4.875% notes due March 30, 2020	**500.0**	-
5.875% notes due December 1, 2036	**500.0**	500.0
Credit facilities	**180.0**	400.0
Other	**8.0**	8.2
	3,538.0	1,758.2
Less net unamortized debt costs	**(42.9)**	(22.8)
Add unamortized interest rate swap gains	**2.7**	3.9
	3,497.8	1,739.3
Less current maturities	**(0.3)**	(0.2)
Add current portion of amortization	**1.5**	0.4
	$ 3,499.0	$ 1,739.5

On May 1, 2009, the company closed the issuance of $500.0 of 5.250 percent senior notes due May 15, 2014 and $500.0 of 6.500 percent senior notes due May 15, 2019. In addition, on September 28, 2009 the company closed the issuance of $500.0 of 3.750 percent senior notes due September 30, 2015 and $500.0 of 4.875 percent senior notes due March 30, 2020. The securities were issued under the company s US shelf registration statement filed on December 12, 2007.

The company also has three long-term revolving credit facilities that provide for unsecured advances. The first is a $750.0 facility that provides for unsecured advances through May 31, 2013. As of September 30, 2009, $100.0 (December 31, 2008 $220.0) of borrowings were outstanding under this facility. The second facility is a $180.0 facility entered into on December 22, 2008, with a maturity date of December 21, 2010. As at September 30, 2009, $80.0 (December 31, 2008 $180.0) of borrowings were outstanding under this facility. The third facility is the company s $1,850.0 facility, which is discussed in Note 4.

During the three months ended September 30, 2009, the company received proceeds from its long-term credit facilities of $500.0, and made repayments of $1,070.0 under these facilities. During the nine months ended

September 30, 2009, the company received proceeds of $2,055.0 and made repayments of $3,275.0 under these facilities.

6. Capital Management

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 is unchanged from 2008, is 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:

	September 30, 2009	December 31, 2008
Short-term debt and current portion of long-term debt	**$ 489.5**	$ 1,324.1
Long-term debt	**3,499.0**	1,739.5
Total debt	**3,988.5**	3,063.6
Less: cash and cash equivalents	**391.2**	276.8
Net debt	**3,597.3**	2,786.8
Shareholders equity	**5,854.0**	4,588.9
Less: accumulated other comprehensive income	**1,223.3**	657.9
Adjusted shareholders equity	**4,630.7**	3,931.0
Adjusted capital[1]	**$ 8,228.0**	$ 6,717.8

[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, provision for auction rate securities, gain on disposal of auction rate securities and gain on sale of assets (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	
	September 30, 2009	December 31, 2008
Components of ratios		

Adjusted EBITDA (twelve months ended)	**$ 1,948.1**	$ 5,030.0
Net debt	**$ 3,597.3**	$ 2,786.8
Adjusted interest expense (twelve months ended)	**$ 159.0**	$ 105.7
Adjusted capital	**$ 8,228.0**	$ 6,717.8
Ratios		
Adjusted EBITDA to adjusted interest expense[(1)]	**12.3**	47.6
Net debt to adjusted EBITDA[(2)]	**1.9**	0.6
Net debt to adjusted capital[(3)]	**43.7%**	41.5%

[(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, the repurchase of shares, the issuance of new shares or the issuance of new debt.

The decrease in the ratio of adjusted EBITDA to adjusted interest expense is a result of a decrease in adjusted EBITDA and an increase in adjusted interest expense due to decreased net income and increased long-term debt during the twelve months ending September 30, 2009. The net debt to adjusted EBITDA ratio increased as net debt increased due to the issuance of long-term debt and adjusted EBITDA decreased. Net debt to adjusted capital ratio increased due to the company issuing more long-term debt.

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
	September 30, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	December 31, 2008
Net income	**$ 1,532.2**	$ 248.8	$ 187.1	$ 308.3	$ 788.0	$ 3,495.2
Income taxes	**104.4**	78.5	72.2	(113.1)	66.8	1,077.1
Interest expense	**101.4**	31.1	26.5	23.2	20.6	62.8
Depreciation and amortization	**307.9**	83.4	70.1	74.0	80.4	327.5
Provision for auction rate securities	**17.5**	-	-	-	17.5	88.8
Gain on disposal of auction rate securities	**(115.3)**	-	(115.3)	-	-	-
Gain on sale of assets	-	-	-	-	-	(21.4)
Adjusted EBITDA	**$ 1,948.1**	$ 441.8	$ 240.6	$ 292.4	$ 973.3	$ 5,030.0

	Twelve Months Ended	Three Months Ended				Twelve Months Ended
	September 30, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	December 31, 2008
Interest expense	**$ 101.4**	$ 31.1	$ 26.5	$ 23.2	$ 20.6	$ 62.8
Interest capitalized to property, plant and equipment	**57.6**	16.8	17.2	12.8	10.8	42.9
Adjusted interest expense	**$ 159.0**	$ 47.9	$ 43.7	$ 36.0	$ 31.4	$ 105.7

7. Segment Information

The company has three reportable business segments: potash, phosphate and nitrogen. These business segments are differentiated by the chemical nutrient contained in the product that each segment 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 September 30, 2009				
	Potash	**Phosphate**	**Nitrogen**	**All Others**	**Consolidated**
Sales	**$ 423.4**	**$ 357.4**	**$ 318.3**	**$ -**	**$ 1,099.1**
Freight	**16.8**	**24.3**	**12.6**	**-**	**53.7**
Transportation and distribution	**9.2**	**13.9**	**13.2**	**-**	**36.3**
Net sales third party	**397.4**	**319.2**	**292.5**	**-**	
Cost of goods sold	**146.0**	**275.0**	**241.9**	**-**	**662.9**
Gross margin	**251.4**	**44.2**	**50.6**	**-**	**346.2**
Depreciation and amortization	**13.2**	**43.1**	**25.1**	**2.0**	**83.4**
Inter-segment sales	**-**	**-**	**23.3**	**-**	**-**

	Three Months Ended September 30, 2008				
	Potash	**Phosphate**	**Nitrogen**	**All Others**	**Consolidated**
Sales	$ 1,145.2	$ 1,080.2	$ 838.9	$ -	$ 3,064.3
Freight	36.0	27.3	18.1	-	81.4
Transportation and distribution	9.9	8.8	12.9	-	31.6
Net sales third party	1,099.3	1,044.1	807.9	-	
Cost of goods sold	189.6	536.9	483.8	-	1,210.3
Gross margin	909.7	507.2	324.1	-	1,741.0
Depreciation and amortization	18.9	36.1	26.2	2.1	83.3
Inter-segment sales	-	7.7	62.8	-	-

	Nine Months Ended September 30, 2009				
	Potash	**Phosphate**	**Nitrogen**	**All Others**	**Consolidated**
Sales	**$ 903.3**	**$ 1,012.0**	**$ 962.3**	**$ -**	**$ 2,877.6**
Freight	**34.1**	**58.3**	**37.8**	**-**	**130.2**
Transportation and distribution	**24.4**	**34.8**	**41.8**	**-**	**101.0**
Net sales third party	**844.8**	**918.9**	**882.7**	**-**	
Cost of goods sold	**320.6**	**845.4**	**734.0**	**-**	**1,900.0**
Gross margin	**524.2**	**73.5**	**148.7**	**-**	**746.4**
Depreciation and amortization	**26.6**	**120.0**	**74.3**	**6.6**	**227.5**
Inter-segment sales	**-**	**-**	**44.1**	**-**	**-**

	Nine Months Ended September 30, 2008				
	Potash	**Phosphate**	**Nitrogen**	**All Others**	**Consolidated**
Sales	$ 3,135.9	$ 2,375.4	$ 2,064.6	$ -	$ 7,575.9
Freight	151.6	89.2	46.4	-	287.2
Transportation and distribution	35.2	25.2	36.8	-	97.2
Net sales third party	2,949.1	2,261.0	1,981.4	-	
Cost of goods sold	638.4	1,256.9	1,261.9	-	3,157.2
Gross margin	2,310.7	1,004.1	719.5	-	4,034.3
Depreciation and amortization	65.7	104.4	71.1	5.9	247.1
Inter-segment sales	-	22.4	145.4	-	-

Assets

	Potash	**Phosphate**	**Nitrogen**	**All Others**	**Consolidated**
Assets at September 30, 2009	$ 4,396.8	$ 2,321.5	$ 1,590.9	$ 3,694.4	$ 12,003.6
Assets at December 31, 2008	3,350.0	2,283.0	1,593.6	3,022.2	10,248.8
Change in assets	1,046.8	38.5	(2.7)	672.2	1,754.8
Additions to property, plant and equipment	864.9	243.2	77.0	5.1	1,190.2

8. Stock-Based Compensation

On May 7, 2009, the company s shareholders approved the 2009 Performance Option Plan under which the company may, after February 20, 2009 and before January 1, 2010, issue options to acquire up to 1,000,000 common shares. Under the plan, the exercise price shall not be less than the quoted market closing price of the company s common

shares on the last trading day immediately preceding the date of grant and an option s maximum term is 10 years. In general, options will vest, if at all, according to a schedule based on the three-year average excess of the company s consolidated cash flow return on investment over weighted average cost of capital. As of September 30, 2009, options to purchase a total of 641,400 common shares have been granted under the plan. The weighted average fair value of options granted was $42.42 per option, estimated as of the date of grant using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions:

Expected dividend	$ 0.40
Expected volatility	48%
Risk-free interest rate	2.53%
Expected life of options	5.9 years

9. Pension and Other Post-Retirement Expenses

Defined Benefit Pension Plans

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Service cost	**$ 4.3**	$ 3.7	**$ 12.9**	$ 11.3
Interest cost	**11.1**	10.0	**33.3**	30.0
Expected return on plan assets	**(9.6)**	(12.7)	**(28.8)**	(38.5)
Net amortization and change in valuation allowance	**7.2**	2.6	**21.6**	7.6
Net expense	**$ 13.0**	$ 3.6	**$ 39.0**	$ 10.4

Other Post-Retirement Plans

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Service cost	**$ 1.5**	$ 1.5	**$ 4.6**	$ 4.3
Interest cost	**4.1**	4.0	**12.4**	12.0
Net amortization	**0.2**	0.2	**0.5**	0.5
Net expense	**$ 5.8**	$ 5.7	**$ 17.5**	$ 16.8

For the three months ended September 30, 2009, the company contributed $90.2 to its defined benefit pension plans, $4.3 to its defined contribution pension plans and $2.5 to its other post-retirement plans. Contributions for the nine months ended September 30, 2009 were $104.4 to its defined benefit pension plans, $16.5 to its defined contribution pension plans and $7.2 to its other post-retirement plans. Total 2009 contributions to these plans are not expected to differ significantly from the amounts previously disclosed in Note 15 to the consolidated financial statements for the year ended December 31, 2008 in the company s 2008 financial review annual report.

10. Other Income

	Three Months Ended September 30	Nine Months Ended September 30

	2009	2008	2009	2008
Share of earnings of equity investees	**$ 32.5**	$ 109.3	**$ 100.2**	$ 193.0
Dividend income	**11.4**	30.3	**51.8**	64.0
(Provision for) gain on disposal of auction rate securities	**-**	(27.5)	**115.3**	(71.3)
Other	**(2.7)**	27.9	**(2.7)**	44.2
Gain on forward purchase contract for shares in Sinofert	**-**	-	**-**	25.3
	$ 41.2	$ 140.0	**$ 264.6**	$ 255.2

In April 2009, the company recognized a gain on the disposal of auction rate securities of $115.3 due to the settlement of a claim the company filed in an arbitration proceeding against an investment firm that purchased auction rate securities for the company s account without the company s authorization. The investment firm paid the company the full par value of $132.5 in exchange for the transfer of the auction rate securities to the investment firm. The company retained all interest paid and accrued on these securities through the date of the transfer of the securities to the investment firm. The company was also reimbursed by the investment firm for $3.0 of the company s legal costs. Prior to the settlement, the company had recognized in net income a loss of $115.3 related to these unauthorized securities placed in its account.

11. Interest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Interest expense on				
Short-term debt	**$ 3.6**	$ 10.7	**$ 17.3**	$ 17.0
Long-term debt	**46.0**	23.9	**119.8**	71.2
Interest capitalized to property, plant and equipment	**(16.8)**	(13.2)	**(46.8)**	(32.1)
Interest income	**(1.7)**	(6.1)	**(9.5)**	(13.9)
	$ 31.1	$ 15.3	**$ 80.8**	$ 42.2

12. Income Taxes

The company s income tax provision was $78.5 for the three months ended September 30, 2009 as compared to $463.3 for the same period last year. For the nine months ended September 30, 2009, the company s income tax provision was $37.6 (2008 $1,010.3). The effective tax rate for the three and nine months ended September 30, 2009 was 24 percent and 5 percent, respectively, compared to 27 percent for the three and nine months ended September 30, 2008.

The provision for the nine months ended September 30, 2009 included:

A future income tax recovery of $119.2 for a tax rate reduction resulting from an internal restructuring during the first quarter.

A current income tax recovery of $47.6 recorded in the first quarter that related to an increase in permanent deductions in the US from prior years. The recovery will have a positive impact on cash.

A future income tax provision of $24.4 related to a second-quarter functional currency election by the parent company for Canadian income tax purposes.

The benefit of a lower proportion of consolidated income earned in higher-tax jurisdictions.

The provision for the nine months ended September 30, 2008 included:

The benefit of 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 that became effective at the beginning of the year.

In the third quarter of 2008, a current income tax recovery of $29.1 was recorded that related to an increase in permanent deductions in the US from prior years. This is in addition to the future income tax recovery of $42.0 recorded during the first quarter of 2008 that related to an increase in permanent deductions in the US

from prior years.

No tax expense on the $25.3 gain recognized in the first quarter that resulted from the change in fair value of the forward purchase contract for shares in Sinofert Holdings Limited (Sinofert) as the gain was not taxable.

13. 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 September 30, 2009 of 295,721,000 (2008 304,017,000). Basic net income per share for the nine months ended September 30, 2009 is calculated based on the weighted average shares issued and outstanding for the period of 295,467,000 (2008 310,076,000).

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 for which performance conditions have been met and 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 September 30, 2009 was 303,927,000 (2008 314,132,000) and for the nine months ended September 30, 2009 was 303,802,000 (2008 320,484,000).

14. 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 described in Note 28 to the consolidated financial statements for the year ended December 31, 2008 in the company s 2008 financial review annual report.

Credit Risk

The company is exposed to credit risk on its cash and cash equivalents, accounts receivable and derivative instrument assets. The company was also exposed to credit risk on auction rate securities prior to the disposal of such securities in connection with the April 2009 settlement of the company s arbitration claim. The maximum exposure to credit risk, as represented by the carrying amount of the financial assets, was:

	September 30, 2009	**December 31, 2008**
Cash and cash equivalents	**$ 391.2**	$ 276.8
Accounts receivable[1]	**627.4**	1,189.9
Derivative instrument assets	**22.1**	17.9
Auction rate securities	**-**	17.2

[1] Excludes taxes receivable of $511.1

The aging of trade receivables that were past due but not impaired was as follows:

	September 30, 2009	**December 31, 2008**
1 30 days	**$ 14.1**	$ 33.3
31 60 days	**0.4**	8.7
Greater than 60 days	**1.8**	1.7
	$ 16.3	$ 43.7

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

	As At and For the Nine Months Ended September 30, 2009	As At and For the Year Ended December 31, 2008
Balance beginning of period	**$ 7.7**	$ 5.9
Provision for receivables impairment	**0.8**	5.0
Receivables written off during the period as uncollectible (primarily related to offshore receivables)	**-**	(3.2)
Balance end of period	**$ 8.5**	$ 7.7

Of total accounts receivable at September 30, 2009, $89.9 related to margin deposits on derivative instruments and $193.2 represented amounts receivable from Canpotex Limited (Canpotex). The company sells potash from its Saskatchewan mines for use outside Canada and the US exclusively to Canpotex. Sales to Canpotex are at prevailing market prices and are settled on normal trade terms. There were no significant amounts past due or impaired relating to the amounts owing to the company from Canpotex or the 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:

	September 30, 2009		
	Total Amount	**Amount Outstanding and Committed**	**Amount Available**
Credit facilities	$ 2,780.0(1)	$ 659.2(1)	$ 2,120.8(1)
Line of credit	75.0	32.3(2)	42.7

(1) The amount available under the $750.0 commercial paper program is limited to the availability of backup funds under the credit facilities. Included in the amount outstanding and committed is $479.2 of commercial paper (per the terms of the agreements, the commercial paper outstanding and 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).

(2) Letters of credit committed.

The company has an unsecured line of credit available for short-term financing (net of letters of credit of $32.3 and direct borrowings of $NIL) in the amount of $42.7 at September 30, 2009 (December 31, 2008 $55.0). The line of credit is renewable in June 2010.

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 September 30, 2009	**Contractual Cash Flows**	**Within 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**
Short-term debt obligations(1)	$ 489.2	$ 480.0	$ 480.0	$ -	$ -	$ -
Accounts payable and accrued charges(2)	579.9	579.9	579.9	-	-	-
Long-term debt obligations(1)	3,538.0	5,330.2	198.0	1,031.6	1,122.7	2,977.9

Derivative financial instrument liabilities						
Natural gas hedging derivatives	162.9	171.6	58.1	51.9	20.5	41.1
	$ 4,770.0	$ 6,561.7	$ 1,316.0	$ 1,083.5	$ 1,143.2	$ 3,019.0

(1) Contractual cash flows include contractual interest payments related to debt obligations. Interest rates on variable rate debt are based on prevailing rates at September 30, 2009.

(2) Excludes taxes, accrued interest, 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 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.

	Carrying Amount of Asset (Liability) at September 30, 2009	Foreign Exchange Risk			
		5% increase in US$		5% decrease in US$	
		Income	OCI	Income	OCI
Available-for-sale investments					
Israel Chemical Ltd. denominated in New Israeli Shekels	$ 1,641.8	$ -	$ (82.1)	$ -	$ 82.1
Sinofert denominated in Hong Kong dollars	682.9	-	(34.1)	-	34.1
Short-term debt denominated in Canadian dollars	(319.8)	16.0	-	(16.0)	-
Accounts payable denominated in Canadian dollars	(161.5)	8.1	-	(8.1)	-
Derivative instruments					
Foreign currency forward contracts	13.7	(28.3)	-	28.3	-

As at September 30, 2009, the company had entered into foreign currency forward contracts to sell US dollars and receive Canadian dollars in the notional amount of $552.4 (December 31, 2008 $873.0) at an average exchange rate of 1.0988 (December 31, 2008 1.1522) per US dollar. The company had also entered into other small forward contracts. Maturity dates for all forward contracts are within 2009.

As at September 30, 2009, the company had no significant foreign currency exposure related to cash and cash equivalents and accounts receivable.

Interest Rate Risk

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 September 30, 2009	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]	$ (3,352.1)	$ -	$ -	$ -	$ -
Variable rate instruments					
Cash and cash equivalents	391.2	(3.9)	-	3.9	-
Long-term debt obligations	(185.9)	1.9	-	(1.9)	-
Short-term debt obligations[2]	(489.2)	-	-	-	-

[1] The company does not measure any fixed rate debt at fair value. Therefore, changes in interest rates will not affect income or OCI as there is no change in the carrying value of fixed-rate debt and interest payments are fixed.

[2] Commercial paper is excluded from interest rate risk on short-term obligations since interest rates are fixed for their stated period. The company is only exposed to interest rate risk on the issuance of new commercial paper.

Price Risk

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.

	Carrying Amount of Asset (Liability) at September 30, 2009	**Price Risk**			
		10% decrease in prices		**10% increase in prices**	
		Income	**OCI**	**Income**	**OCI**
Derivative instruments					
Natural gas hedging derivatives	$ (154.5)	$ -	$ (74.0)	$ -	$ 74.4
Available-for-sale investments					
Intercorporate investments	2,324.7	-	(232.5)	-	232.5

As at September 30, 2009, the company had derivatives qualifying for hedge accounting in the form of swaps which represented a notional amount of 120.0 million MMBtu with maturities in 2009 through 2019. At December 31, 2008 the notional amount of swaps was 135.4 million MMBtu with maturities in 2009 through 2018.

Fair Value

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Presented below is a comparison of the fair value of each financial instrument to its carrying value.

	September 30, 2009		**December 31, 2008**	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	**Carrying Amount of Asset (Liability)**	**Fair Value of Asset (Liability)**
Cash and cash equivalents	**$ 391.2**	**$ 391.2**	$ 276.8	$ 276.8
Accounts receivable[1]	**627.4**	**627.4**	1,189.9	1,189.9
Derivative financial instruments	**(140.8)**	**(140.8)**	(210.6)	(210.6)
Investments	**3,322.5**	**6,331.1**	2,750.7	4,615.2
Short-term debt obligations	**(489.2)**	**(489.2)**	(1,323.9)	(1,323.9)
Accounts payable and accrued charges	**(579.9)**	**(579.9)**	(565.3)	(565.3)
Long-term debt	**(3,538.0)**	**(3,705.5)**	(1,758.2)	(1,730.3)

(1) Excludes taxes receivable of $511.1.

Due to their short-term nature, the fair value of cash and cash equivalents, accounts receivable, short-term debt, and accounts payable and accrued charges is assumed to approximate carrying value. The effective interest rate on the company s short-term debt at September 30, 2009 was 0.72 percent and 2.33 percent at December 31, 2008. The fair value of its senior notes at September 30, 2009 reflects the current yield valuation based on observed market prices. The current yield on the notes payable ranges from 2.15 percent to 5.8 percent. At December 31, 2008 the yield ranged from 5.05 percent to 6.73 percent. The fair value of the company s other long-term debt instruments approximated carrying value.

15. Seasonality

The company s sales of fertilizer can be seasonal. Typically, the second quarter of the year is when fertilizer sales will be highest, due to the North American spring planting season. However, planting conditions and the timing of customer purchases will vary each year and sales can be expected to shift from one quarter to another.

16. Contingencies

Canpotex

PotashCorp is a shareholder in Canpotex, which markets potash offshore. Should any operating losses or other liabilities be incurred by Canpotex, the shareholders have contractually agreed to reimburse Canpotex for such losses or liabilities in proportion to their productive capacity. There were no such operating losses or other liabilities during the first nine months of 2009 or 2008.

Mining Risk

In common with other companies in the industry, the company is unable to acquire insurance for underground assets.

Legal and Other Matters

Significant matters of note include the following:

In 1998, the company, along with other parties, was notified by the US Environmental Protection Agency (USEPA) of potential liability under the US federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) with respect to certain soil and groundwater conditions at a PCS Joint Venture blending facility in Lakeland, Florida and certain adjoining property. In 1999, PCS Joint Venture signed an Administrative Order and Consent with the USEPA pursuant to which PCS Joint Venture agreed to conduct a Remedial Investigation and Feasibility Study (RI/FS) of these conditions. PCS Joint Venture and another party have shared the costs of the RI/FS, which is now complete. A Record of Decision (ROD) based upon the RI/FS was issued on September 27, 2007. The ROD provides for a remedy that requires excavation of impacted soils and interim treatment of groundwater. The total remedy cost is estimated in the ROD to be $8.5. On August 31, 2009, the U.S. District Court for the Middle District of Florida approved the Remedial Design/Remedial Action Consent Decree, pursuant to which PCS Joint Venture and additional potentially responsible parties will perform the ROD remedy. Implementation of the ROD remedy could begin in the first quarter of 2010. Although PCS Joint Venture sold the Lakeland property in July 2006, PCS Joint Venture has retained the above-described remediation responsibilities and has indemnified the third-party purchaser for the costs of remediation and certain related claims.

The USEPA has identified PCS Nitrogen, Inc. (PCS Nitrogen) as a potentially responsible party with respect to a former fertilizer blending operation in Charleston, South Carolina, known as the Planters Property or Columbia Nitrogen site, formerly owned by a company from which PCS Nitrogen acquired certain other assets. The USEPA has requested reimbursement of $3.0 of previously incurred response costs and the performance or financing of future site investigation and response activities from PCS Nitrogen and other named potentially responsible parties. In September 2005, Ashley II of Charleston, L.L.C., the current owner of the Planters Property, filed a complaint in the United States District Court for the District of South Carolina (the Court) seeking a declaratory judgment that PCS Nitrogen is liable to pay environmental response costs that Ashley II of Charleston, L.L.C. alleges it has incurred and will incur in connection with response activities at the site. The Court entered an order bifurcating the case into two phases. In the third quarter of 2007, the Court issued its decision for the first phase of the case, in which it determined that PCS Nitrogen is the successor to a former owner of the site and may be liable to Ashley II of Charleston, L.L.C. for its environmental response costs at the site. PCS Nitrogen has filed and is pursuing third-party complaints against owners and operators that it believes should be responsible parties with respect to the site. In the first quarter of 2009, the judge who had been handling the case disqualified himself and the case was transferred to

a new judge. The Court entered an order in June 2009 denying PCS Nitrogen s motion to vacate the orders entered by the previous judge. PCS Nitrogen filed a motion seeking leave to appeal the Court s order denying PCS Nitrogen s motion to vacate and a separate motion to reconsider the order entered by the previous judge denying PCS Nitrogen s motion for leave to appeal the order finding that PCS Nitrogen is a successor to a former owner of the site. In October 2009, the Court denied these motions. The second phase of the trial to allocate damages commenced on October 26, 2009.

PCS Nitrogen denies that it is a potentially responsible party and is vigorously defending its interests in these actions.

PCS Phosphate Company, Inc. (PCS Phosphate), along with several other entities, has received notice from parties to an Administrative Settlement Agreement (Settling Parties) with the USEPA of alleged contribution liability under CERCLA for costs incurred and to be incurred addressing PCB soil contamination at the Ward Superfund Site in Raleigh, North Carolina (Site). PCS Phosphate has agreed to participate, on a non-joint and several basis, with the Settling Parties in the performance of the removal action and the payment of certain other costs associated with the Site, including reimbursement of the USEPA s past costs. The cost of performing the removal action at the Site is estimated at $70.0. The removal activities commenced at the Site in August 2007. In July 2009, the Settling Parties served the company, and more than 100 other entities, with complaints seeking contribution for and recovery of response costs incurred in performing the removal action. The company anticipates recovering some portion of its expenditures for the removal action from other liable parties through settlement or litigation. In addition to the removal action at the Site, investigation of sediments downstream of the Site in what is called Operable Unit 1 has occurred. In September 2008, the USEPA issued a final remedy, with an estimated cost of $6.1, for Operable Unit 1. In October 2008, the USEPA issued special notice letters to PCS Phosphate and other alleged potentially responsible parties requiring a good-faith offer to perform and/or pay for the clean-up of Operable Unit 1, to perform further investigation at the Site and adjacent properties, and to reimburse USEPA for its past costs. In January 2009, in addition to good-faith offers made by other potentially responsible parties, PCS Phosphate, along with some of the Settling Parties, submitted a good-faith offer to the USEPA. The USEPA is reviewing the good-faith offers. At this time, the company is unable to evaluate the extent of any exposure that it may have for the matters addressed in the special notice letter.

The USEPA has an ongoing initiative to evaluate implementation within the phosphate industry of a particular exemption for mineral processing wastes under the hazardous waste program. In connection with this industry-wide initiative, the USEPA conducted hazardous waste compliance evaluation inspections at numerous phosphate operations, including the company s plants in Aurora, North Carolina; Geismar, Louisiana; and White Springs, Florida. The USEPA has notified the company of various alleged violations of the US Resource Conservation and Recovery Act (RCRA) at its Aurora and White Springs plants. The company and other industry members have met with representatives of the US Department of Justice, the USEPA and various state environmental agencies regarding potential resolutions of these matters. During these meetings, the company was informed that the USEPA also believes the Geismar plant is in violation of these requirements. As part of the initiative, the company entered into RCRA 3013 Administrative Orders on Consent to perform certain site assessment activities at its White Springs, Aurora and Geismar plants. The company is uncertain if any resolution will be possible without litigation, or, if litigation occurs, what the outcome would be. At this time, the company is unable to evaluate the extent of any exposure that it may have in these matters.

The USEPA also has begun an initiative to evaluate compliance with the Clean Air Act at sulfuric and nitric acid plants. In connection with this industry-wide initiative, the USEPA has sent requests for information to numerous facilities, including the company s plants in Augusta, Georgia; Aurora, North Carolina; Geismar, Louisiana; Lima, Ohio; and White Springs, Florida. The USEPA has notified the company of various alleged violations of the Clean Air Act at its Geismar and Lima plants. The company has met and will continue to meet with representatives of the USEPA and the US Department of Justice regarding potential resolutions of these matters. At this time, the company is unable to evaluate the extent of any exposure that it may have in these matters.

Significant portions of the company s phosphate reserves in Aurora, North Carolina are located in wetlands. Under the Clean Water Act, the company must obtain a permit from the US Army Corps of Engineers (the Corps) before disturbing the wetlands. On June 10, 2009, the Corps issued the company a permit to mine reserves in excess of thirty years. On June 17, 2009, USEPA advised the Corps that USEPA would not seek additional review of the permit or invoke its veto authority. In a related approval for mining, on March 12, 2009, four environmental organizations (Pamlico-Tar River Foundation, North Carolina

Coastal Federation, Environmental Defense Fund, and Sierra Club) filed a Petition for a Contested Case Hearing before the North Carolina Office of Administrative Hearings challenging the Certification issued to the company by the North Carolina Department of Environment and Natural Resources Division of Water Quality pursuant to Section 401 of the Clean Water Act, 33 U.S.C. § 1341 and state rules. The company has intervened in this proceeding and, at this time, is unable to evaluate the extent of any exposure that it may have in this matter.

Pursuant to the 1996 Corrective Action Consent Order (the Order) executed between PCS Nitrogen Fertilizer, L.P., formerly known as Arcadian Fertilizer, L.P. (PCS Nitrogen Fertilizer) and Georgia Department of Natural Resources, Environmental Protection Division (GEPD) in conjunction with PCS Nitrogen Fertilizer s purchase of real property located in Augusta, Georgia from the entity from which PCS Nitrogen Fertilizer previously leased such property, PCS Nitrogen Fertilizer agreed to perform certain activities including a facility investigation and, if necessary, a corrective action. In accordance with the Order, PCS Nitrogen Fertilizer has performed an investigation of environmental site conditions, has documented its findings in several successive facility investigation reports submitted to GEPD, and has conducted a pilot study to evaluate the viability of in-situ bioremediation of groundwater at the site. Based on these findings, the requirements of the Order and the pilot study, in May 2009, PCS Nitrogen Fertilizer submitted a Corrective Action Plan (CAP) to GEPD proposing to utilize in-situ bioremediation of groundwater at the site. In the event GEPD approves the CAP, a full-scale bioremediation remedy will be implemented.

In April 2009, the USEPA proposed rules to require greenhouse gas emission inventory reporting and proposed to find that greenhouse gas emissions from mobile sources endanger public health and welfare. In May 2009, the Canadian government announced that its new industrial greenhouse gas emissions policies will be coordinated with policies that may be implemented in the US. It is anticipated that target numbers for emissions reductions will not be published until December 2009 at the earliest. The company is monitoring these policy changes and any effect they may have on our operations when they become final. In September 2009, the USEPA promulgated rules requiring the reporting of greenhouse gas emissions for all sources emitting more than 25,000 tons of carbon dioxide equivalents. The company does not believe that compliance with this regulation will have a material adverse effect on its consolidated financial position or results of operations.

At the direction of the USEPA, the Florida Department of Environmental Protection (FDEP) has announced a rulemaking to restrict nutrient concentrations in surface waters to levels below those currently permitted at the company s White Springs, Florida plant. The company is working with FDEP on the rulemaking to pursue an acceptable resolution. In addition, the company along with other phosphate producers, through a trade association, has moved to intervene to challenge a consent decree filed in the U.S. District Court for the Northern District of Florida which would require the USEPA to develop numeric nutrient standards for Florida lakes and flowing waters by October 2010. The company is uncertain if any resolution will be possible without litigation, or, if litigation occurs, what the outcome would be.

The company, having been unable to agree with Mosaic Potash Esterhazy Limited Partnership (Mosaic) on the remaining amount of potash that the company is entitled to receive from Mosaic pursuant to the mining and processing agreement in respect of the company s rights at the Esterhazy mine, issued a statement of claim in the Saskatchewan Court of Queen s Bench against Mosaic on May 27, 2009. Under the statement of claim the company has asserted that it has the right under the mining and processing agreement to receive potash from Mosaic until at least 2012, and seeks an order from the Court declaring the amount of potash which the company has the right to receive. Mosaic in its statement of defense dated June 16, 2009, asserts that at a delivery rate of 1.24 million tons of product per year, the company s entitlement to receive potash under the mining and processing agreement will terminate by August 30, 2010. Also, on June 16, 2009 Mosaic

commenced a counterclaim against the company asserting that the company has breached the mining and processing agreement due to its refusal to take delivery of potash product under the agreement based on an event of force majeure. The company will continue to assert its position in these proceedings vigorously and it denies liability to Mosaic in connection with its counterclaim.

Between September 11 and October 2, 2008, the company and PCS Sales (USA), Inc. were named as defendants in eight very similar antitrust complaints filed in federal courts. Other potash producers are also defendants in these cases. Each of the separate complaints alleges conspiracy to fix potash prices, to divide markets, to restrict supply and to fraudulently conceal the conspiracy, all in violation of Section 1 of the Sherman Act. Five of the eight complaints were brought by plaintiffs who claim to have purchased potash directly from at least one of the defendants during the period between July 1, 2003 and the present (collectively, the Direct Purchaser Plaintiffs). All five Direct Purchaser Plaintiffs purport to sue on behalf of a class of persons who purchased potash in the United States directly from a defendant. The Direct Purchaser Plaintiffs, who filed a single, consolidated amended complaint on November 13, 2008, seek unspecified treble damages, injunctive relief, attorneys fees, costs and pre- and post-judgment interest. The other three complaints were brought by plaintiffs who claim to be indirect purchasers of potash (collectively, the Indirect Purchaser Plaintiffs). The Indirect Purchaser Plaintiffs, who purport to sue on behalf of all persons who purchased potash indirectly in the United States, filed a single, consolidated amended complaint on November 13, 2008. In addition to the Sherman Act claim described above, the Indirect Purchaser Plaintiffs also assert claims for violation of various state antitrust laws; violations of various state consumer protection statutes; and for unjust enrichment. The Indirect Purchaser Plaintiffs seek injunctive relief, unspecified damages, treble damages where allowed, costs, fees and pre- and post-judgment interest. All eight lawsuits have been consolidated into a Multidistrict Litigation proceeding, or MDL (No. 1996), for coordinated pretrial proceedings before Judge Ruben Castillo in the United States District Court for the Northern District of Illinois (the Court). Two consolidated complaints, one for the Direct Purchaser Plaintiffs and one for the Indirect Purchaser Plaintiffs, have been filed. In June 2009, the company and PCS Sales (USA), Inc., along with the other defendants filed motions to dismiss the amended consolidated complaints filed by the Direct Purchaser Plaintiffs and the Indirect Purchaser Plaintiffs. On November 3, 2009 the court denied the defendants motion to dismiss the Direct Purchaser Plaintiffs complaints. The Court has granted in part and denied in part the defendants motion to dismiss the Indirect Purchaser Plaintiffs various causes of action. Specifically, the court has denied the defendants motions to dismiss the Indirect Purchaser Plaintiffs causes of action asserting state law antitrust claims under Michigan and Kansas law and an unjust enrichment claim under Iowa law. The Court also stated that it will structure discovery proceedings to concentrate on the alleged coordinated supply restrictions, which must be completed by April 30, 2010, following which the defendants may file expedited summary judgment motions. The company and PCS Sales (USA), Inc. believe each of these eight private antitrust law lawsuits is without merit and intend to defend them vigorously.

The company is also engaged in ongoing site assessment and/or remediation activities at a number of other facilities and sites. Based on current information, it does not believe that its future obligations with respect to these facilities and sites are reasonably likely to have a material adverse effect on its consolidated financial position or results of operations.

In addition, various other claims and lawsuits are pending against the company in the ordinary course of business. While it is not possible to determine the ultimate outcome of such actions at this time, and there exists inherent uncertainties in predicting such outcomes, it is the company s belief that the ultimate resolution of such actions is not reasonably likely to have a material adverse effect on its consolidated financial position or results of operations.

The breadth of the company s operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating the taxes it will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the company s tax assets and tax liabilities.

The company owns facilities which have been either permanently or indefinitely shut down. It expects to incur nominal annual expenditures for site security and other maintenance costs at certain of these facilities. Should the facilities be dismantled, certain other shutdown-related costs may be incurred. Such costs would not be expected to have a material adverse effect on the company s consolidated financial position or results of operations and would be recognized and recorded in the period in which they were incurred.

17. Guarantees

In the normal course of operations, the company provides indemnifications, that are often standard contractual terms, to counterparties in transactions such as purchase and sale contracts, service agreements, director/officer contracts and leasing transactions. These indemnification agreements may require the company to compensate the counterparties for costs incurred as a result of various events, including environmental liabilities and changes in (or in the interpretation of) laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract, the nature of which prevents the company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. Historically, the company has not made any significant payments under such indemnifications and no amounts have been accrued in the accompanying unaudited interim condensed consolidated financial statements with respect to these indemnification guarantees (apart from any appropriate accruals relating to the underlying potential liabilities).

The company enters into agreements in the normal course of business that may contain features that meet the definition of a guarantee. Various debt obligations (such as overdrafts, lines of credit with counterparties for derivatives and back-to-back loan arrangements) and other commitments (such as railcar leases) related to certain subsidiaries and investees have been directly guaranteed by the company under such agreements with third parties. The company would be required to perform on these guarantees in the event of default by the guaranteed parties. No material loss is anticipated by reason of such agreements and guarantees. At September 30, 2009, the maximum potential amount of future (undiscounted) payments under significant guarantees provided to third parties approximated $579.1. It is unlikely that these guarantees will be drawn upon and the maximum potential amount of future payments does not consider the possibility of recovery under recourse or collateral provisions. Accordingly, this amount is not indicative of future cash requirements or the company s expected losses from these arrangements. At September 30, 2009, no subsidiary balances subject to guarantees were outstanding in connection with the company s cash management facilities, and it had no liabilities recorded for other obligations other than subsidiary bank borrowings of approximately $5.9, which are reflected in other long-term debt.

The company has guaranteed the gypsum stack capping, closure and post-closure obligations of White Springs and PCS Nitrogen in Florida and Louisiana, respectively, pursuant to the financial assurance regulatory requirements in those states. The USEPA has announced that it plans to adopt rules requiring financial assurance from a variety of mining operations, including phosphate rock mining. It is too early in the rulemaking process to determine what the impact, if any, on our facilities will be when these rules are issued.

The environmental regulations of the Province of Saskatchewan require each potash mine to have decommissioning and reclamation plans. Financial assurances for these plans must be established within one year following their approval by the responsible provincial minister. The Minister of the Environment for Saskatchewan (MOE) provisionally approved the plans in July 2000. In July 2001, a CDN $2.0 irrevocable Letter of Credit was posted. The company submitted a revised plan when it was due in 2006. In early 2009, the MOE advised that the 2006 decommissioning and reclamation plans were approved and advised of its preferred position regarding the financial assurances to be provided by the company. The company anticipates that all matters regarding these financial assurances will be finalized in the fourth quarter of 2009. Under the regulations, the decommissioning and reclamation plans and financial assurances are to be reviewed at least once every five years, or sooner as required by the MOE. The next scheduled review for the decommissioning and reclamation plans and financial assurances is in 2011. Based on current information, the company does not believe that its financial assurance requirements or future obligations with respect to this matter are reasonably likely to have a material impact on its consolidated financial position or results of operations.

The company has met its financial assurance responsibilities as of September 30, 2009. Costs associated with the retirement of long-lived tangible assets have been accrued in the accompanying unaudited interim condensed consolidated financial statements to the extent that a legal liability to retire such assets exists.

During the period, the company entered into various other commercial letters of credit in the normal course of operations. As at September 30, 2009, $32.3 of letters of credit were outstanding.

The company expects that it will be able to satisfy all applicable credit support requirements without disrupting normal business operations.

18. Related Party Commitment

In May 2009, the company committed to purchase minimum amounts of potash each quarter from Sociedad Quimica y Minera de Chile S.A., an investee accounted for by the equity method. There were no similar agreements in 2008. Future commitments, based on market rates for such potash as at November 5, 2009, are $59.1 within one year and $86.3 between one and three years.

19. Reconciliation of Canadian and United States Generally Accepted Accounting Principles

Canadian GAAP varies in certain significant respects from US GAAP. As required by the US Securities and Exchange Commission (SEC), the effect of these principal differences on the company s unaudited interim condensed consolidated financial statements is described and quantified below. For a complete discussion of US and Canadian GAAP differences, see Note 33 to the consolidated financial statements for the year ended December 31, 2008 in the company s 2008 financial review annual report.

(a) Inventory valuation: Under Canadian GAAP, when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed. The reversal is limited to the amount of the original writedown. Under US GAAP, the reversal of a writedown is not permitted unless the reversal relates to a writedown recorded in a prior interim period during the same fiscal year.

(b) Long-term investments: Certain of the company s investments in international entities are accounted for under the equity method. Accounting principles generally accepted in those foreign jurisdictions may vary in certain important respects from Canadian GAAP and in certain other respects from US GAAP. The company s share of earnings and other comprehensive income of these equity investees under Canadian GAAP have been adjusted for the significant effects of conforming to US GAAP.

In addition, the company s interest in a foreign joint venture is accounted for using proportionate consolidation under Canadian GAAP. US GAAP requires joint ventures to be accounted for using the equity accounting method. As a result, an adjustment is recorded to reflect the company s interest in the joint venture under the equity method of accounting.

(c) Property, plant and equipment and goodwill: The net book value of property, plant and equipment and goodwill under Canadian GAAP is higher than under US GAAP, as past provisions for asset impairment under Canadian GAAP were measured based on the undiscounted cash flow from use together with the residual value of the assets. Under US GAAP, they were measured based on fair value, which was lower than the undiscounted cash flow from use together with the residual value of the assets. Fair value for this purpose was determined based on discounted expected future net cash flows.

(d) Depreciation and amortization: Depreciation and amortization under Canadian GAAP is higher than under US GAAP, as a result of differences in the carrying amounts of property, plant and equipment under Canadian and US GAAP.

(e) Exploration costs: Under Canadian GAAP, capitalized exploration costs are classified under property, plant and equipment. For US GAAP, these costs are generally expensed until such time as a final feasibility study has confirmed the existence of a commercially mineable deposit.

(f) Pension and other post-retirement benefits: Under Canadian GAAP, when a defined benefit plan gives rise to an accrued benefit asset, a company must recognize a valuation allowance for the excess of the adjusted benefit asset over the expected future benefit to be realized from the plan asset. Changes in the pension valuation allowance are recognized in income. US GAAP does not specifically address pension valuation allowances, and the US regulators have interpreted this to be a difference between Canadian and US GAAP. In light of this, a difference between Canadian and US GAAP has been recorded for the effects of recognizing a pension valuation allowance and the changes therein under Canadian GAAP.

In addition, under US GAAP the company is required to recognize the difference between the benefit obligation and the fair value of plan assets in the Consolidated Statements of Financial Position with the offset to OCI. No similar requirement currently exists under Canadian GAAP.

(g) Foreign currency translation adjustment: The company adopted the US dollar as its functional and reporting currency on January 1, 1995. At that time, the consolidated financial statements were translated into US dollars at the December 31, 1994 year-end exchange rate using the translation of convenience method under Canadian GAAP. This translation method was not permitted under US GAAP. US GAAP required the comparative Consolidated Statements of Operations and Consolidated Statements of Cash Flow to be translated at applicable weighted-average exchange rates; whereas, the Consolidated Statements of Financial Position were permitted to be translated at the December 31, 1994 year-end exchange rate. The use of disparate exchange rates under US GAAP gave rise to a foreign currency translation adjustment. Under US GAAP, this adjustment is reported as a component of accumulated OCI.

(h) Offsetting of certain amounts: US GAAP requires an entity to adopt a policy of either offsetting or not offsetting fair value amounts recognized for derivative instruments and for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. The company adopted a policy to offset such amounts. Under Canadian GAAP offsetting of the margin deposits is not permitted.

(i) Stock-based compensation: Under Canadian GAAP, the company s stock-based compensation plan awards classified as liabilities are measured at intrinsic value at each reporting period. US GAAP requires that these liability awards be measured at fair value at each reporting period. The company uses a Monte Carlo simulation model to estimate the fair value of its performance unit incentive plan liability for US GAAP purposes.

Under Canadian GAAP, stock options are recognized over the service period, which for PotashCorp is established by the option performance period. Effective January 1, 2006, under US GAAP, stock options are recognized over the requisite service period which does not commence until the option plan is approved by the company s shareholders and options are granted thereunder. For options granted under the PotashCorp 2007 Performance Option Plan, the service period commenced January 1, 2007 under Canadian GAAP and May 3, 2007 under US GAAP. For options granted under the PotashCorp 2008 Performance Option Plan, the service period commenced January 1, 2008 under Canadian GAAP and May 8, 2008 under US GAAP. For options granted under the PotashCorp 2009 Performance Option Plan, the service period commenced January 1, 2009 under Canadian GAAP and May 7, 2009 under US GAAP. This difference impacts the stock-based compensation cost recorded and may impact diluted earnings per share.

(j) Stripping costs: Under Canadian GAAP, the company capitalizes and amortizes costs associated with the activity of removing overburden and other mine waste minerals in the production phase. US GAAP requires such stripping costs to be attributed to ore produced in that period as a component of inventory and recognized in cost of sales in the same period as related revenue.

(k) Income taxes related to the above adjustments: The income tax adjustment reflects the impact on income taxes of the US GAAP adjustments described above. Accounting for income taxes under Canadian and US GAAP is similar, except that income tax rates of enacted or substantively enacted tax law must be used to calculate future income tax assets and liabilities under Canadian GAAP, whereas only income tax rates of enacted tax law can be used under US GAAP.

(l) Income tax consequences of stock-based employee compensation: Under Canadian GAAP, the income tax benefit attributable to stock-based compensation that is deductible in computing taxable income but is not recorded in the consolidated financial statements as an expense of any period (the excess benefit) is considered to be a permanent difference. Accordingly, such amount is treated as an item that reconciles the statutory income tax rate to the company s effective tax rate. Under US GAAP, the excess benefit is recognized as additional paid-in capital.

(m) Income taxes related to uncertain income tax positions: US GAAP prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its consolidated financial statements uncertain income

tax positions that it has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Canadian GAAP has no similar requirements related to uncertain income tax positions.

(n) Cash flow statements: US GAAP requires the disclosure of income taxes paid. Canadian GAAP requires the disclosure of income tax cash flows, which would include any income taxes recovered during the year. For the three months ended September 30, 2009, income taxes paid under US GAAP were $3.6 (2008 $213.7) and for the nine months ended September 30, 2009, income taxes paid under US GAAP were $740.4 (2008 $600.6).

The application of US GAAP, as described above, would have had the following effects on net income, net income per share, assets and shareholders equity.

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	**2009**	2008
Net income as reported Canadian GAAP	**$ 248.8**	$ 1,236.1	**$ 744.2**	$ 2,707.2
Items increasing (decreasing) reported net income				
Inventory valuation (a)	**(1.4)**	-	**(1.7)**	-
Depreciation and amortization (d)	**2.1**	2.1	**6.3**	