

POTASH CORP OF SASKATCHEWAN INC

Form 10-Q

August 06, 2009

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2009

OR

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

Commission File Number 1-10351

POTASH CORPORATION OF SASKATCHEWAN INC.

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of incorporation or organization)

122 1st Avenue South
Saskatoon, Saskatchewan, Canada
(Address of principal executive offices)

N/A

(I.R.S. Employer Identification No.)

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 NO

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

YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

YES NO

As at July 31, 2009, Potash Corporation of Saskatchewan Inc. had 295,730,685 Common Shares outstanding.

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Table of Contents**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, 2009 | December 31, 2008 |
|--|--------------------------|------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 371.3 | \$ 276.8 |
| Accounts receivable | 998.9 | 1,189.9 |
| Inventories (Note 2) | 658.4 | 714.9 |
| Prepaid expenses and other current assets | 191.9 | 79.2 |
| Current portion of derivative instrument assets | 0.4 | 6.4 |
| | 2,220.9 | 2,267.2 |
| Derivative instrument assets | 9.9 | 11.5 |
| Property, plant and equipment | 5,492.7 | 4,812.2 |
| Investments | 3,173.1 | 2,750.7 |
| Other assets | 250.4 | 288.7 |
| Intangible assets | 20.5 | 21.5 |
| Goodwill | 97.0 | 97.0 |
| | \$ 11,264.5 | \$ 10,248.8 |
| Liabilities | | |
| Current liabilities | | |
| Short-term debt and current portion of long-term debt (Note 3) | \$ 735.7 | \$ 1,324.1 |
| Accounts payable and accrued charges | 590.7 | 1,183.6 |
| Current portion of derivative instrument liabilities | 84.7 | 108.1 |
| | 1,411.1 | 2,615.8 |
| Long-term debt (Note 4) | 3,082.1 | 1,739.5 |
| Derivative instrument liabilities | 100.3 | 120.4 |

| | | |
|---|--------------------|-------------|
| Future income tax liability | 769.8 | 794.2 |
| Accrued pension and other post-retirement benefits | 266.0 | 253.4 |
| Accrued environmental costs and asset retirement obligations | 133.6 | 133.4 |
| Other non-current liabilities and deferred credits | 2.7 | 3.2 |
| | 5,765.6 | 5,659.9 |
| Contingencies and Guarantees (Notes 15 and 16, respectively) | | |
| Shareholders Equity | | |
| Share capital | 1,415.2 | 1,402.5 |
| Unlimited authorization of common shares without par value; issued and outstanding 295,552,385 and 295,200,987 at June 30, 2009 and December 31, 2008, respectively | | |
| Unlimited authorization of first preferred shares; none outstanding | | |
| Contributed surplus | 145.8 | 126.2 |
| Accumulated other comprehensive income | 1,099.4 | 657.9 |
| Retained earnings | 2,838.5 | 2,402.3 |
| | 5,498.9 | 4,588.9 |
| | \$ 11,264.5 | \$ 10,248.8 |

(See Notes to the Condensed Consolidated Financial Statements)

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

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|--------------|-------------------------|----------------|
| | June 30 | | June 30 | |
| | 2009 | 2008 | 2009 | 2008 |
| Sales (Note 8) | \$ 856.0 | \$ 2,621.0 | \$ 1,778.5 | \$ 4,511.6 |
| Less: Freight | 38.9 | 103.4 | 76.5 | 205.8 |
| Transportation and distribution | 37.7 | 33.3 | 64.7 | 65.6 |
| Cost of goods sold | 608.8 | 1,047.0 | 1,237.1 | 1,946.9 |
| Gross Margin | 170.6 | 1,437.3 | 400.2 | 2,293.3 |
| Selling and administrative | 53.4 | 79.7 | 96.8 | 126.9 |
| Provincial mining and other taxes | (18.1) | 163.0 | 14.9 | 262.4 |
| Foreign exchange loss (gain) | 37.9 | 1.9 | 7.7 | (25.8) |
| Other income (Note 11) | (188.4) | (103.3) | (223.4) | (115.2) |
| | (115.2) | 141.3 | (104.0) | 248.3 |
| Operating Income | 285.8 | 1,296.0 | 504.2 | 2,045.0 |
| Interest Expense (Note 12) | 26.5 | 15.7 | 49.7 | 26.9 |
| Income Before Income Taxes | 259.3 | 1,280.3 | 454.5 | 2,018.1 |
| Income Taxes (Note 6) | 72.2 | 375.2 | (40.9) | 547.0 |
| Net Income | \$ 187.1 | \$ 905.1 | 495.4 | 1,471.1 |
| Retained Earnings, Beginning of Period | | | 2,402.3 | 2,279.6 |
| Repurchase of Common Shares | | | - | (1,981.7) |
| Dividends | | | (59.2) | (62.8) |
| Retained Earnings, End of Period | | | \$ 2,838.5 | \$ 1,706.2 |

Net Income Per Share (Note 7)

| | | | | |
|----------------|----------------|---------|----------------|---------|
| Basic | \$ 0.63 | \$ 2.91 | \$ 1.68 | \$ 4.70 |
| Diluted | \$ 0.62 | \$ 2.82 | \$ 1.63 | \$ 4.54 |

| | | | | |
|----------------------------|----------------|---------|----------------|---------|
| Dividends Per Share | \$ 0.10 | \$ 0.10 | \$ 0.20 | \$ 0.20 |
|----------------------------|----------------|---------|----------------|---------|

(See Notes to the Condensed Consolidated Financial Statements)

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

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|--------------|-------------------------|----------------|
| | June 30 | | June 30 | |
| | 2009 | 2008 | 2009 | 2008 |
| Operating Activities | | | | |
| Net income | \$ 187.1 | \$ 905.1 | \$ 495.4 | \$ 1,471.1 |
| Adjustments to reconcile net income to cash provided by operating activities | | | | |
| Depreciation and amortization | 70.1 | 83.9 | 144.1 | 163.8 |
| Stock-based compensation | 20.1 | 25.1 | 22.6 | 27.9 |
| Loss (gain) on disposal of property, plant and equipment | 0.9 | (6.9) | 1.4 | (6.8) |
| Gain on disposal of auction rate securities | (115.3) | - | (115.3) | - |
| Provision for auction rate securities | - | 0.7 | - | 43.8 |
| Foreign exchange on future income tax | 11.7 | (4.6) | (2.1) | (9.3) |
| Provision for (recovery of) of future income tax | 41.4 | 47.4 | (75.1) | 26.8 |
| Undistributed earnings of equity investees | 69.1 | (1.1) | 31.2 | (24.5) |
| Derivative instruments | 3.5 | (1.9) | (41.8) | (19.0) |
| Other long-term liabilities | 16.1 | 7.7 | 27.2 | 7.1 |
| Subtotal of adjustments | 117.6 | 150.3 | (7.8) | 209.8 |
| Changes in non-cash operating working capital | | | | |
| Accounts receivable | 54.5 | (283.5) | 191.9 | (494.9) |
| Inventories | 0.5 | (106.2) | 61.1 | (229.3) |
| Prepaid expenses and other current assets | (26.8) | 0.8 | (53.6) | (23.4) |
| Accounts payable and accrued charges | (396.6) | 228.1 | (652.0) | 403.6 |
| Subtotal of changes in non-cash operating working capital | (368.4) | (160.8) | (452.6) | (344.0) |
| Cash (used in) provided by operating activities | (63.7) | 894.6 | 35.0 | 1,336.9 |

Investing Activities

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| | | | | |
|--|------------------|-----------|------------------|-----------|
| Additions to property, plant and equipment | (399.6) | (237.9) | (765.7) | (434.4) |
| Purchase of long-term investments | - | (76.7) | - | (251.2) |
| Proceeds from disposal of property, plant and equipment | 15.5 | 9.3 | 15.8 | 9.6 |
| Proceeds from disposal of auction rate securities | 132.5 | - | 132.5 | - |
| Other assets and intangible assets | 0.7 | (17.4) | (10.5) | (21.4) |
| Cash used in investing activities | (250.9) | (322.7) | (627.9) | (697.4) |
| Cash before financing activities | (314.6) | 571.9 | (592.9) | 639.5 |
| Financing Activities | | | | |
| Proceeds from long-term debt obligations | 1,795.0 | - | 2,555.0 | - |
| Repayment of and finance costs on long-term debt obligations | (1,538.8) | (0.2) | (2,229.2) | (0.2) |
| Proceeds from short-term debt obligations | 196.4 | 828.9 | 411.5 | 842.4 |
| Dividends | (29.0) | (30.7) | (58.7) | (62.5) |
| Repurchase of common shares | - | (1,476.6) | - | (1,897.1) |
| Issuance of common shares | 7.2 | 12.0 | 8.8 | 28.3 |
| Cash provided by (used in) financing activities | 430.8 | (666.6) | 687.4 | (1,089.1) |
| Increase (Decrease) in Cash and Cash Equivalents | 116.2 | (94.7) | 94.5 | (449.6) |
| Cash and Cash Equivalents, Beginning of Period | 255.1 | 364.6 | 276.8 | 719.5 |
| Cash and Cash Equivalents, End of Period | \$ 371.3 | \$ 269.9 | \$ 371.3 | \$ 269.9 |
| Cash and cash equivalents comprised of: | | | | |
| Cash | \$ 56.1 | \$ 42.5 | \$ 56.1 | \$ 42.5 |
| Short-term investments | 315.2 | 227.4 | 315.2 | 227.4 |
| | \$ 371.3 | \$ 269.9 | \$ 371.3 | \$ 269.9 |
| Supplemental cash flow disclosure | | | | |
| Interest paid | \$ 30.5 | \$ 22.8 | \$ 46.0 | \$ 37.1 |
| Income taxes paid | \$ 589.0 | \$ 227.1 | \$ 736.2 | \$ 385.6 |

(See Notes to the Condensed Consolidated Financial Statements)

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Potash Corporation of Saskatchewan Inc.

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

| | Three Months Ended | | Six Months Ended | |
|--------------------------------------|---------------------------|-----------------|-------------------------|-------------------|
| | June 30 | | June 30 | |
| (Net of related income taxes) | 2009 | 2008 | 2009 | 2008 |
| Net income | \$ 187.1 | \$ 905.1 | \$ 495.4 | \$ 1,471.1 |