POTASH CORP OF SASKATCHEWAN INC
Form 10-Q
October 29, 2013

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, 2013

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

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 ¨

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

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

Yes ¨ No þ

As at October 3, 2013, Potash Corporation of Saskatchewan Inc. had 863,210,541 Common Shares outstanding.

Part I. Financial Information

Item 1. Financial Statements

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Financial Position

(in millions of US dollars)

(unaudited)

As at	September 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 555	$ 562
Receivables	853	1,089
Inventories (Note 2)	724	762
Prepaid expenses and other current assets	85	83
	2,217	2,496
Non-current assets		
Property, plant and equipment	12,043	11,505
Investments in equity-accounted investees	1,322	1,254
Available-for-sale investments	1,744	2,481
Other assets	390	344
Intangible assets	137	126
Total Assets	$ 17,853	$ 18,206
Liabilities		
Current liabilities		
Short-term debt and current portion of long-term debt (Note 3)	$ 609	$ 615
Payables and accrued charges	1,108	1,188
Current portion of derivative instrument liabilities	43	51
	1,760	1,854
Non-current liabilities		
Long-term debt (Note 3)	2,969	3,466
Derivative instrument liabilities	138	167
Deferred income tax liabilities	1,915	1,482
Pension and other post-retirement benefit liabilities (Note 4)	421	569
Asset retirement obligations and accrued environmental costs	574	645
Other non-current liabilities and deferred credits	142	111
Total Liabilities	7,919	8,294
Shareholders Equity		
Share capital (Note 5)	1,600	1,543
Contributed surplus	221	299
Accumulated other comprehensive income	688	1,399
Retained earnings	7,425	6,671
Total Shareholders Equity	9,934	9,912
Total Liabilities and Shareholders Equity	$ 17,853	$ 18,206

(See Notes to the Condensed Consolidated Financial Statements)

1 PotashCorp 2013 Third Quarter Quarterly Report on Form 10-Q

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Income

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

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Sales (Note 6)	$ 1,520	$ 2,143	$ 5,764	$ 6,285
Freight, transportation and distribution	(139)	(154)	(435)	(381)
Cost of goods sold	(897)	(1,062)	(2,999)	(3,080)
Gross Margin	484	927	2,330	2,824
Selling and administrative expenses	(48)	(53)	(165)	(166)
Provincial mining and other taxes	(10)	(62)	(154)	(162)
Share of earnings of equity-accounted investees	57	77	174	220
Dividend income	31	39	85	106
Impairment of available-for-sale investment				(341)
Other expenses	(9)	(10)	(21)	(21)
Operating Income	505	918	2,249	2,460
Finance costs	(33)	(24)	(107)	(89)
Income Before Income Taxes	472	894	2,142	2,371
Income taxes (Note 8)	(116)	(249)	(587)	(713)
Net Income	$ 356	$ 645	$ 1,555	$ 1,658
Net Income per Share (Note 9)				
Basic	$ 0.41	$ 0.75	$ 1.80	$ 1.93
Diluted	$ 0.41	$ 0.74	$ 1.77	$ 1.89
Dividends Declared per Share	$ 0.35	$ 0.21	$ 0.98	$ 0.49

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Comprehensive Income

(in millions of US dollars)

(unaudited)

(Net of related income taxes)	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Net Income	$ 356	$ 645	$ 1,555	$ 1,658
Other comprehensive (loss) income				
Items that will not be reclassified to net income:				
Net actuarial gain (loss) on defined benefit plans[1]			150	(84)
Items that may be reclassified subsequently to net income:				
Available-for-sale investments[2]				
Net fair value (loss) gain during the period	(267)	303	(737)	169
Reclassification to income of unrealized loss on impaired investment				341
Cash flow hedges				
Net fair value loss during the period[3]		(1)		(16)
Reclassification to income of net loss[4]	6	11	25	36
Other	3		1	(2)
Other Comprehensive (Loss) Income	(258)	313	(561)	444
Comprehensive Income	$ 98	$ 958	$ 994	$ 2,102

(1) Net of income taxes of $(87) (2012 $48) for the nine months ended September 30, 2013.
(2) Available-for-sale investments are comprised of shares in Israel Chemicals Ltd. and Sinofert Holdings Limited.
(3) Cash flow hedges are comprised of natural gas derivative instruments and were net of income taxes of $NIL (2012 $1) for the three months ended September 30, 2013 and $NIL (2012 $11) for the nine months ended September 30, 2013.
(4) Net of income taxes of $(4) (2012 $(8)) for the three months ended September 30, 2013 and $(14) (2012 $(24)) for the nine months ended September 30, 2013.

(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	
	2013	**2012**	**2013**	**2012**
Operating Activities				
Net income	$ 356	$ 645	$ 1,555	$ 1,658
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	149	149	489	434
Share-based compensation	4	3	25	21
Impairment of available-for-sale investment				341
Realized excess tax benefit related to share-based compensation	5	4	15	7
Provision for deferred income tax	58	162	311	366
Net undistributed earnings of equity-accounted investees	(55)	(74)	(62)	(90)
Pension and other post-retirement benefits	12	(86)	(10)	(71)
Asset retirement obligations and accrued environmental costs	(12)	(6)	(16)	4
Other long-term liabilities and miscellaneous	1	7	54	33
Subtotal of adjustments	162	159	806	1,045
Changes in non-cash operating working capital				
Receivables	96	(90)	162	(84)
Inventories	(12)	19	29	63
Prepaid expenses and other current assets	(17)	(5)	(4)	(21)
Payables and accrued charges	31	31	8	(308)
Subtotal of changes in non-cash operating working capital	98	(45)	195	(350)
Cash provided by operating activities	616	759	2,556	2,353
Investing Activities				
Additions to property, plant and equipment	(360)	(546)	(1,210)	(1,505)
Other assets and intangible assets	2	(23)	(8)	(37)
Cash used in investing activities	(358)	(569)	(1,218)	(1,542)
Financing Activities				
Repayment of and finance costs on long-term debt obligations			(254)	(2)
Proceeds from (repayment of) short-term debt obligations	113	(117)	(256)	(501)
Dividends	(290)	(116)	(700)	(293)
Repurchase of common shares	(166)		(166)	
Issuance of common shares	10	13	31	16
Cash used in financing activities	(333)	(220)	(1,345)	(780)
(Decrease) Increase in Cash and Cash Equivalents	(75)	(30)	(7)	31
Cash and Cash Equivalents, Beginning of Period	630	491	562	430
Cash and Cash Equivalents, End of Period	$ 555	$ 461	$ 555	$ 461
Cash and cash equivalents comprised of:				
Cash	$ 59	$ 69	$ 59	$ 69
Short-term investments	496	392	496	392
	$ 555	$ 461	$ 555	$ 461
Supplemental cash flow disclosure				
Interest paid	$ 23	$ 12	$ 123	$ 114
Income taxes paid	$ 6	$ 91	$ 113	$ 583

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Changes in Equity

(in millions of US dollars)

(unaudited)

			Accumulated Other Comprehensive Income						
	Share Capital	**Contributed Surplus**	Net unrealized gain on available-for-sale investments	Net loss on derivatives designated as cash flow hedges	Net actuarial gain on defined benefit plans	Other	**Total Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total Equity[1]**
Balance December 31, 2012	$ 1,543	$ 299	$ 1,539	$ (138)	$ [2]	$ (2)	$ 1,399	$ 6,671	$ 9,912
Net income								1,555	1,555
Other comprehensive (loss) income			(737)	25	150	1	(561)		(561)
Share repurchase (Note 5)	(11)	(79)						(105)	(195)
Dividends declared								(846)	(846)
Effect of share-based compensation including issuance of common shares	42	1							43
Shares issued for dividend reinvestment plan	26								26
Transfer of net actuarial gain on defined benefit plans					(150)		(150)	150	
Balance September 30, 2013	$ 1,600	$ 221	$ 802	$ (113)	$ [2]	$ (1)	$ 688	$ 7,425	$ 9,934
Balance December 31, 2011	$ 1,483	$ 291	$ 982	$ (168)	$ [2]	$ 2	$ 816	$ 5,257	$ 7,847
Net income								1,658	1,658
Other comprehensive income (loss)			510	20	(84)	(2)	444		444
Dividends declared								(423)	(423)
Effect of share-based compensation including issuance of common shares	18	25							43
Shares issued for dividend reinvestment plan	7								7
Transfer of net actuarial loss on defined benefit plans					84		84	(84)	
Balance September 30, 2012	$ 1,508	$ 316	$ 1,492	$ (148)	$ [2]	$	$ 1,344	$ 6,408	$ 9,576

[1] All equity transactions were attributable to common shareholders.
[2] Any amounts incurred during a period were closed out to retained earnings at each period-end. Therefore, no balance exists at the beginning or end of period.
(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, 2013

(in millions of US dollars except as otherwise noted)

(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. These unaudited interim condensed consolidated financial statements are based on International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS), and have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. The accounting policies used in preparing these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the company s 2012 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 company s 2012 annual consolidated financial statements. In management s opinion, the unaudited interim condensed consolidated financial statements include all adjustments necessary to fairly present such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

These unaudited interim condensed consolidated financial statements were authorized by the audit committee of the Board of Directors for issue on October 29, 2013.

Standards, amendments and interpretations effective and applied

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and amendments or interpretations to existing standards that were effective and applied.

Standard	Description	Impact
Amendments to IAS 1, Presentation of Financial Statements	Amendments require items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement to be grouped together.	Adopted retrospectively effective January 1, 2013. The format of the company s consolidated statements of comprehensive income has changed. Prior periods figures have been reclassified to conform with the current period s presentation.
Amendments to IFRS 7, Financial Instruments: Disclosures	Issued as part of its offsetting project, addresses common disclosure requirements related to financial instruments.	Adopted retrospectively effective January 1, 2013. Applicable disclosures are included in Note 10 to these unaudited interim condensed consolidated financial statements, and will be included in the company s 2013 annual consolidated financial statements.
IFRS 10, Consolidated Financial Statements	Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.	Adopted retrospectively effective January 1, 2013 with no change to the company s consolidated financial statements.

IFRS 11, Joint Arrangements	Removes a choice in accounting method and requires equity accounting for participants in joint ventures. Also focuses on the rights and obligations of an arrangement rather than its legal form.	Adopted prospectively effective January 1, 2013 with no change to the company s consolidated financial statements.
IFRS 12, Disclosure of Interests in Other Entities	Establishes a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	Adopted prospectively effective January 1, 2013. Applicable disclosures will be included in the company s 2013 annual consolidated financial statements.
IFRS 13, Fair Value Measurement	Establishes a single framework for measuring fair value and introduces consistent disclosure requirements on fair value measurements.	Adopted prospectively effective January 1, 2013. Applicable disclosures are included in Note 10 to these unaudited interim condensed consolidated financial statements, and will be included in the company s 2013 annual consolidated financial statements.

Standard	Description	Impact
Amendments to IAS 19, Employee Benefits	Changes relating to the recognition, measurement, presentation and disclosure of post-employment benefits. The amendment also changes the accounting for termination benefits and short-term employment benefits, along with other minor clarifications.	Adopted prospectively effective January 1, 2013. The amendments resulted in changes in accounting policy but did not result in any material adjustments to the company s consolidated financial statements. Previously, the company calculated interest costs on the defined benefit obligation and the expected return on plan assets, and included such amounts within employee costs in cost of goods sold and selling and administrative expenses, as applicable. The net interest cost will now be calculated on the net funded status and included in finance costs. Previously, vested past service costs were recognized immediately and unvested past service costs were amortized on a straight-line basis over the average period until the benefits became vested. All past service costs will now be recognized immediately. Actuarial gains and losses will continue to be recognized in OCI, and closed out to retained earnings each period. Required additional disclosures will be included in the company s 2013 annual consolidated financial statements.
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine	Clarifies the requirements for accounting for stripping costs in the production phase of a surface mine.	Adopted retrospectively effective January 1, 2013 with no change to the company s consolidated financial statements.

Standards, amendments and interpretations not yet effective and not applied

The IASB and IFRIC have issued the following standards and amendments or interpretations to existing standards that were not yet effective and not applied at September 30, 2013. The company does not anticipate early adoption of these standards at this time.

Standard	Description	Impact	Effective Date(1)
Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities	Issued as part of the IASB s offsetting project, amendments clarify certain items regarding offsetting financial assets and financial liabilities.	The company is reviewing the standard to determine the potential impact, if any; however, no significant impact is anticipated.	January 1, 2014, applied retrospectively.
Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets	Amendments were issued that clarify disclosure requirements for the recoverable amount of an asset or cash-generating unit.	The company is reviewing the standard to determine the potential impact, if any; however, no significant impact is anticipated.	January 1, 2014, applied retrospectively.
IFRIC 21, Levies	Provides guidance on when to recognize a liability for a levy imposed by a government.	The company is reviewing the interpretation to determine the potential impact, if any.	January 1, 2014, applied retrospectively.
IFRS 9, Financial Instruments	Initially issued guidance on the classification and measurement of financial assets. Additional guidance was issued on the classification and measurement of financial liabilities. Further, amendments were issued which modify the requirements for transition from IAS 39 to IFRS 9. Further announced as part of the Limited Amendments to IFRS 9 project, the IASB tentatively decided to defer the mandatory effective	The company is reviewing the standard to determine the potential impact, if any.	Pending IASB decision.

date pending the finalization of the impairment and classification and measurement requirements.

(1) Effective date for annual periods beginning on or after the stated date.

2. Inventories

	September 30, 2013	December 31, 2012
Finished products	$ 332	$ 417
Raw materials	103	91
Intermediate products	89	82
Materials and supplies	200	172
	$ 724	$ 762

3. Long-Term Debt

During the first quarter of 2013, the company fully repaid $250 of 4.875 percent 10-year senior notes at maturity. During the second quarter of 2013, the company classified as current the $500 aggregate principal amount of 5.250 percent senior notes due May 15, 2014.

In May 2013, the company s $750 credit facility was terminated and the company amended its $2,750 credit facility, increasing it to $3,500 and extending the maturity to May 31, 2018.

4. Pension and Other Post-Retirement Benefits

A remeasurement of the defined benefit plan assets and liabilities was performed at June 30, 2013. As a result of a change in the discount rate and actual return on plan assets, the company recorded net actuarial gains on defined benefit plan obligations of $150 in OCI, which was recognized immediately in retained earnings at June 30, 2013. The company s defined benefit pension and other post-retirement benefit liabilities decreased by $133, accrued pension benefit assets increased by $104 and deferred income tax liabilities increased by $87 at June 30, 2013.

The discount rate used to determine the benefit obligation for the company s significant plans in the June 30, 2013 remeasurement was 4.60 percent (December 31, 2012 3.85 percent).

5. Share Capital

Authorized

The company is authorized to issue an unlimited number of common shares without par value and an unlimited number of first preferred shares. The common shares are not redeemable or convertible. No first preferred shares have been issued.

Issued

	Number of Common Shares	Consideration
Balance December 31, 2012	864,900,513	$ 1,543
Issued under option plans	3,899,736	42
Issued for dividend reinvestment plan	710,292	26
Repurchased	(6,300,000)	(11)
Balance September 30, 2013	863,210,541	$ 1,600

Share Repurchase Program

On July 24, 2013, the company s Board of Directors authorized a share repurchase program of up to $2,000 of PotashCorp s outstanding common shares (5 percent of its outstanding common shares) through a normal course issuer bid. Shares could be repurchased from time to time on the open market commencing August 2, 2013 through August 1, 2014 at prevailing market prices. The timing and amount of purchases under the program are dependent upon the availability and alternative uses of capital, market conditions, applicable US and Canadian regulations and other factors.

At September 30, 2013, the company had repurchased for cancellation 6,300,000 common shares, at a cost of $195 and an average price per share of $30.95. The repurchase resulted in a reduction of share capital of $11, and the excess of net cost over the average book value of the shares was recorded as a reduction of contributed surplus of $79 and a reduction of retained earnings of $105.

6. Segment Information

The company s operating segments have been determined based on reports reviewed by the Chief Executive Officer, its chief operating decision-maker, that are used to make strategic decisions. The company has three reportable operating segments: potash, nitrogen and phosphate. These reportable operating segments are differentiated by the chemical nutrient contained in the product that each produces. Inter-segment sales are made under terms that approximate market value. The accounting policies of the segments are the same as those described in Note 1.

	Three Months Ended September 30, 2013				
	Potash	Nitrogen	Phosphate	All Others	Consolidated
Sales	$ 539	$ 493	$ 488	$	$ 1,520
Freight, transportation and distribution	(57)	(26)	(56)		(139)
Net sales third party	482	467	432		
Cost of goods sold	(254)	(289)	(354)		(897)
Gross margin	228	178	78		484
Depreciation and amortization	(36)	(41)	(69)	(3)	(149)
Inter-segment sales		32			
Assets	9,063	2,195	2,464	4,131	17,853
Cash flows for additions to property, plant and equipment	259	40	56	5	360

	Three Months Ended September 30, 2012				
	Potash	Nitrogen	Phosphate	All Others	Consolidated
Sales	$ 963	$ 612	$ 568	$	$ 2,143
Freight, transportation and distribution	(76)	(23)	(55)		(154)
Net sales third party	887	589	513		
Cost of goods sold	(333)	(338)	(391)		(1,062)
Gross margin	554	251	122		927
Depreciation and amortization	(49)	(33)	(64)	(3)	(149)
Inter-segment sales		72			
Assets	8,504	2,183	2,519	4,485	17,691
Cash flows for additions to property, plant and equipment	348	106	73	19	546

	Nine Months Ended September 30, 2013				
	Potash	Nitrogen	Phosphate	All Others	Consolidated
Sales	$ 2,399	$ 1,781	$ 1,584	$	$ 5,764
Freight, transportation and distribution	(196)	(78)	(161)		(435)
Net sales third party	2,203	1,703	1,423		
Cost of goods sold	(858)	(978)	(1,163)		(2,999)
Gross margin	1,345	725	260		2,330
Depreciation and amortization	(144)	(121)	(214)	(10)	(489)
Inter-segment sales		141			
Assets	9,063	2,195	2,464	4,131	17,853
Cash flows for additions to property, plant and equipment	872	112	178	48	1,210

	Nine Months Ended September 30, 2012				
	Potash	Nitrogen	Phosphate	All Others	Consolidated
Sales	$ 2,731	$ 1,804	$ 1,750	$	$ 6,285
Freight, transportation and distribution	(165)	(76)	(140)		(381)
Net sales third party	2,566	1,728	1,610		
Cost of goods sold	(884)	(956)	(1,240)		(3,080)
Gross margin	1,682	772	370		2,824
Depreciation and amortization	(135)	(103)	(188)	(8)	(434)
Inter-segment sales		164			
Assets	8,504	2,183	2,519	4,485	17,691
Cash flows for additions to property, plant and equipment	1,029	261	172	43	1,505

7. Share-Based Compensation

On May 16, 2013, the company s shareholders approved the 2013 Performance Option Plan under which the company may, after February 19, 2013 and before January 1, 2014, grant options to acquire up to 3,000,000 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 the 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, 2013, options to purchase a total of 1,952,000 common shares had been granted under the plan. The weighted average fair value of options granted was $15.13 per share, estimated as of the date of grant using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions:

Exercise price per option	$ 43.80
Expected annual dividend per share	$ 1.40
Expected volatility	50%
Risk-free interest rate	1.06%
Expected life of options	5.5 years

8. Income Taxes

A separate estimated average annual effective tax rate was determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction.

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Income tax expense	$ 116	$ 249	$ 587	$ 713
Actual effective tax rate on ordinary earnings	25%	26%	26%	26%
Actual effective tax rate including discrete items	25%	28%	27%	30%
Discrete tax adjustments that impacted the tax rate	$	$ 14	$ 37	$ 17

Significant items to note include the following:

- In the first nine months of 2013, a tax expense of $9 (recovery of $7 in the third quarter) was recorded to adjust the 2012 income tax provision.
- In second-quarter 2013, a deferred tax expense of $11 was recorded as a result of a Canadian income tax rate increase.
- In the first nine months of 2012, a tax expense of $17 ($12 in the third quarter) was recorded to adjust the 2011 income tax provision.
- In second-quarter 2012, a non-tax deductible impairment of the company s available-for-sale investment in Sinofert Holdings Limited (Sinofert) was recorded.

Income tax balances within the condensed consolidated statements of financial position were comprised of the following:

Income Tax Assets (Liabilities)	Statements of Financial Position Location	September 30, 2013	December 31, 2012
Current income tax assets:			
Current	Receivables	$ 62	$ 124
Non-current	Other assets	129	130
Deferred income tax assets	Other assets	21	30
Total income tax assets		$ 212	$ 284
Current income tax liabilities:			
Current	Payables and accrued charges	$ (30)	$ (2)
Non-current	Other non-current liabilities and deferred credits	(138)	(110)
Deferred income tax liabilities	Deferred income tax liabilities	(1,915)	(1,482)
Total income tax liabilities		$ (2,083)	$ (1,594)

9. Net Income per Share

Net income per share was calculated on the following weighted average number of shares:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Basic	866,108,000	859,573,000	865,707,000	859,118,000
Diluted	874,339,000	876,026,000	876,027,000	875,885,000

Diluted net income per share was calculated based on the weighted average number of shares issued and outstanding during the period, incorporating the following adjustments. The denominator was: (1) increased by the total of the additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price for the period; and (2) decreased by the number of shares that the company could have repurchased if it had used the

assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period. For performance-based stock option plans, the number of contingently issuable common shares included in the calculation was based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the performance period and the effect were dilutive.

Options excluded from the calculation of diluted net income per share due to the options exercise prices being greater than the average market price of common shares were as follows:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Weighted average number of options	5,173,796	3,418,946
Performance Option Plan years excluded	2008 through 2012	2008, 2011, 2012

10. Financial Instruments

Fair Value

Estimated fair values for financial instruments are designed to approximate amounts at which the instruments could be exchanged in a current arm s-length transaction between knowledgeable willing parties. The valuation policies and procedures for financial reporting purposes are determined by the company s finance department.

Presented below is a comparison of the fair value of certain financial instruments to their carrying values.

	September 30, 2013		December 31, 2012	
	Carrying Amount of Liability	Fair Value of Liability	Carrying Amount of Liability	Fair Value of Liability
Long-term debt senior notes	$ 3,500	$ 3,791	$ 3,750	$ 4,284

Due to their short-term nature, the fair value of cash and cash equivalents, receivables, short-term debt, and payables and accrued charges was assumed to approximate carrying value. The company s derivative instruments and investments in Israel Chemicals Ltd. (ICL) and Sinofert were carried at fair value.

The fair value of the company s senior notes at September 30, 2013 reflected the yield valuation based on observed market prices (Level 1), which ranged from 0.60 percent to 5.22 percent (December 31, 2012 0.40 percent to 4.35 percent). The fair value of the company s other long-term debt instruments approximated carrying value.

The fair value of derivative instruments that are not traded in an active market (such as natural gas swaps and foreign currency derivatives) was determined using valuation techniques. The company used a variety of methods and made assumptions that were based on market conditions existing at each reporting date. Natural gas swap valuations were based on a discounted cash flow model. The inputs used in the model included contractual cash flows based on prices for natural gas futures contracts, fixed prices and notional volumes specified by the swap contracts, the time value of money, liquidity risk, the company s own credit risk (related to instruments in a liability position) and counterparty credit risk (related to instruments in an asset position). Certain of the futures contract prices used as inputs in the model were

supported by prices quoted in an active market and others were not based on observable market data.

For valuations that included both observable and unobservable data, if the unobservable input was determined to be significant to the overall inputs, the entire valuation was categorized in Level 3. For natural gas swaps, the primary input into the valuation model was natural gas futures prices, which were based on delivery at the Henry Hub and were observable only for up to three years in the future. The unobservable futures price range at September 30, 2013 was $4.12 to $4.99 per MMBtu (December 31, 2012 $4.58 to $5.48 per MMBtu). Changes in the unobservable natural gas futures prices would not result in significantly higher or lower fair values as any price change would be counterbalanced by offsetting derivative positions. Interest rates used to discount estimated cash flows at September 30, 2013 were between 0.18 percent and 3.69 percent (December 31, 2012 between 0.21 percent and 3.26 percent) depending on the settlement date.

The fair value of foreign currency derivatives was determined using quoted forward exchange rates (Level 2) at the statements of financial position dates.

Fair value of investments designated as available-for-sale was based on the closing bid price of the common shares (Level 1) as of the statements of financial position dates.

The following table presents the company s fair value hierarchy for financial assets and financial liabilities carried at fair value on a recurring basis.

	Carrying Amount of Asset (Liability)	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)[1]	Significant Other Observable Inputs (Level 2)[1,2]	Significant Unobservable Inputs (Level 3)[2]
September 30, 2013				
Derivative instrument assets				
Natural gas derivatives	$ 9	$	$	$ 9
Investments in ICL and Sinofert	1,744	1,744		
Derivative instrument liabilities				
Natural gas derivatives	(181)		(7)	(174)
December 31, 2012				
Derivative instrument assets				
Natural gas derivatives	$ 9	$	$	$ 9
Foreign currency derivatives	1		1	
Investments in ICL and Sinofert	2,481	2,481		
Derivative instrument liabilities				
Natural gas derivatives	(218)		(18)	(200)

(1) During the nine months ended September 30, 2013 and twelve months ended December 31, 2012, there were no transfers between Level 1 and Level 2.

(2) During the nine months ended September 30, 2013, there were no transfers into Level 3 and $1 of gains was transferred out of Level 3 into Level 2 as (due to the passage of time) the terms of certain natural gas derivatives now matured within 36 months. During the twelve months ended December 31, 2012, there were no transfers into Level 3 and $10 of losses was transferred out of Level 3 into Level 2 as (due to the passage of time) the terms of certain natural gas derivatives now matured within 36 months. The company s policy is to recognize transfers at the end of the reporting period.

The following table presents the company s fair value measurements using significant unobservable inputs (Level 3):

	Natural Gas Derivatives: Nine Months Ended September 30, 2013	Twelve Months Ended December 31, 2012
Balance, beginning of period	$ (191)	$ (229)
Total (losses) gains (realized and unrealized) before income taxes		
Included in net income (cost of goods sold)	(20)	(27)
Included in other comprehensive income	20	16
Purchases		
Sales		
Issues		
Settlements	27	39
Transfers of (gains) losses out of Level 3	(1)	10
Balance, end of period	$ (165)	$ (191)
Gains (losses) for the period included in net income (cost of goods sold) were:		
Change in unrealized gains (losses) relating to instruments still held at the reporting date	$	$
Total losses (realized and unrealized)	(20)	(27)

11. Seasonality

The company s sales of fertilizer can be seasonal. Typically, fertilizer sales are highest in the second quarter of the year, 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.

12. Contingencies and Other Matters

Canpotex

PCS is a shareholder in Canpotex Limited (Canpotex), which markets Saskatchewan potash offshore. Should any operating losses or other liabilities be incurred by Canpotex, the shareholders have contractually agreed to reimburse it for such losses or liabilities in proportion to each shareholder s productive capacity.

Through September 30, 2013, there were no such operating losses or other liabilities.

Mining Risk

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

Legal and Other Matters

Significant environmental site assessment and/or remediation matters include the following:

Nitrogen and Phosphate

The company, along with other parties, has been notified by the US Environmental Protection Agency (USEPA) of potential liability under the US Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) with respect to certain soil and groundwater conditions at a site in Lakeland, Florida that includes a former PCS Joint Venture fertilizer blending facility and certain surrounding properties. A Record of Decision issued in September 2007 provides for a remedy that requires excavation of impacted soils and interim treatment of groundwater at a total estimated cost of $9. The soil remediation has been performed and approved by the USEPA. A Remedial Design Work Plan for the interim remedy for groundwater has been submitted to the USEPA for approval and work is expected to commence in the first quarter of 2014. 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 items.

The USEPA has identified PCS Nitrogen, Inc. (PCS Nitrogen) as a potentially responsible party at the Planters Property or Columbia Nitrogen site in Charleston, South Carolina. The site includes a former fertilizer blending operation, formerly owned by a company from which PCS Nitrogen acquired certain other assets. The USEPA has requested reimbursement of $3 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. The current owner of the Planters Property filed a complaint against PCS Nitrogen in the US District Court for the District of South Carolina seeking environmental response costs. The district court allocated 30 percent of the liability for response costs at the site to PCS Nitrogen, as well as a proportional share of any costs that cannot be recovered from another responsible party. The US Court of Appeals for the Fourth Circuit affirmed the district court s judgment in April 2013. PCS Nitrogen filed a petition with the Supreme Court of the US asking it to review the Fourth Circuit s decision, and PCS Nitrogen is considering what additional actions are appropriate to take in response to the Fourth Circuit s opinion. The ultimate amount of liability for PCS Nitrogen, if any, depends upon the final outcome of the litigation, the amount needed for remedial activities, the ability of other parties to pay and the availability of insurance.

PCS Phosphate has agreed to participate, on a non-joint and several basis, with parties to an Administrative Settlement Agreement with the USEPA (Settling Parties) in a removal action and the payment of certain other costs associated with PCB soil contamination at the Ward Superfund Site in Raleigh, North Carolina (Site), including reimbursement of past USEPA costs. The removal activities commenced in August 2007 and are estimated to cost $75. PCS Phosphate is a party to ongoing CERCLA contribution and cost recovery litigation for the recovery of costs of the removal activities. In September 2013, PCS Phosphate and other parties entered into an Administrative Order on Consent with the USEPA, pursuant to which a remedial investigation and focused feasibility study will be performed on that portion of the Site that was subject to the removal action. The USEPA has also issued an order to a number of entities requiring remediation downstream of the area subject to the removal action (Operable Unit 1). PCS Phosphate did not receive this order. At this time, the company is unable to evaluate the extent of any exposure that it may have for the matters addressed in the CERCLA litigation or for Operable Unit 1.

In 1996, PCS Nitrogen Fertilizer, L.P. (PCS Nitrogen Fertilizer), then known as Arcadian Fertilizer, L.P., entered into a Consent Order (the Order) with the Georgia Environmental Protection Division (GEPD) in conjunction with PCS Nitrogen Fertilizer s acquisition of real property in Augusta, Georgia. Under the Order, PCS Nitrogen Fertilizer is required to perform certain activities to investigate and, if necessary, implement corrective measures for substances in soil and groundwater. The investigation has proceeded and the results have been presented to GEPD. Two interim corrective measures for substances in groundwater have been proposed by PCS Nitrogen Fertilizer and approved by GEPD. PCS Nitrogen Fertilizer is implementing the approved interim corrective measures but it is unable to estimate with reasonable certainty the total cost of its corrective action obligations under the Order at this time.

The company is also engaged in ongoing site assessment and/or remediation activities at a number of other facilities and sites, and anticipated costs associated with these matters are added to accrued environmental costs in the manner previously described in Note 14 to the company s 2012 annual consolidated financial statements. This includes matters related to investigation of potential brine migration at certain of the potash sites. Based on current information, the company 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.

Other significant legal matters include the following:

Potash

Between September and October 2008, the company and PCS Sales (USA), Inc. were named as defendants in eight similar antitrust complaints filed in US federal courts. Other potash producers were also defendants in these cases. Each of the separate complaints alleged 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 and/or certain states laws. In January 2013, the company and PCS Sales (USA), Inc. settled the eight private antitrust lawsuits for a total of $44. The US District Court for the Northern District of Illinois issued an order granting final approval of the settlements with the plaintiffs in June 2013. The company and PCS Sales (USA), Inc. expressly deny any wrongdoing but decided to settle after weighing the multi-year financial cost and resources that would be required to defend these meritless allegations. The other potash producers who were defendants in these cases also have settled with the plaintiffs.

Nitrogen and Phosphate

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 inspections at numerous phosphate operations and notified the company of alleged violations of the US Resource Conservation and Recovery Act (RCRA) at its plants in Aurora, North Carolina; Geismar, Louisiana; and White Springs, Florida; and one alleged Clean Air Act (CAA) violation at its Geismar, Louisiana plant. The company has entered into RCRA 3013 Administrative Orders on Consent and has performed certain site assessment activities at all three plants. At this time, the company does not know the scope of corrective action, if any, that may be required. As to the alleged RCRA violations, the company continues to participate in settlement discussions with the USEPA but is uncertain if any resolution will be possible without litigation, or, if litigation occurs, what the outcome would be. At this time, it is unable to evaluate the extent of any exposure it may have in these matters. As to the alleged CAA violation, the company and the USEPA negotiated a consent decree, pursuant to which PCS paid a penalty of $0.2 to resolve this matter.

The USEPA has pursued an initiative to evaluate compliance with the CAA at sulfuric acid and nitric acid plants. In connection with this industry-wide initiative, it 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 and the Louisiana Department of Environmental Quality have notified the company of various alleged violations of the CAA at its Geismar, Louisiana plant. In May 2012, the USEPA issued to the company s White Springs, Florida plant a Notice of Violation alleging that certain specified projects at the sulfuric acid plants were undertaken in violation of the CAA. While the company disputes the alleged violations, in May 2013, the company reached a tentative agreement to resolve the alleged violations without admitting any liability. The tentative agreement is subject to a variety of conditions, including the approval of the company s Board of Directors and the negotiation of acceptable final agreements. The tentative agreement involves capital improvements, process changes and penalties for the company s sulfuric acid plants in Aurora, North Carolina; Geismar, Louisiana; and White Springs, Florida that are currently estimated to cost at least $100, but the company is uncertain if a final agreement can be concluded. If a final agreement cannot be concluded and litigation subsequently occurs, the company is uncertain what the outcome would be.

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 mining in the wetlands. In January 2009, the Division of Water Quality of the North Carolina Department of Natural Resources issued a certification under Section 401 of the Clean Water Act that mining of phosphate in excess of 30 years from lands owned or controlled by the company, including some wetlands, would not degrade water quality (the 401 Certification). Thereafter, in June 2009, the Corps issued the company a permit that will allow it to mine the phosphate deposits identified in the 401 Certification. Four environmental organizations (Pamlico-Tar River Foundation, North Carolina Coastal Federation, Environmental Defense Fund and Sierra Club, collectively, the Petitioners) challenged the 401 Certification. Petitioners exhausted their administrative appeals of the 401 Certification without success and pursued an appeal in the North Carolina courts. In July 2013, the Superior Court for Wake County entered an order affirming the agency action approving the 401 Certification. Petitioners did not appeal the order.

In December 2010, the USEPA issued a final rule to restrict nutrient concentrations in surface waters in Florida to levels below those currently permitted to be discharged from the company s White Springs, Florida plant. Projected capital costs resulting from the USEPA rule, if it becomes effective, could be in excess of $100 for White Springs, and there is no guarantee that controls can be implemented which are capable of achieving compliance with the revised nutrient standards under all flow conditions. Various judicial challenges to the federal rules have been filed, including one lawsuit against the federal rule by The Fertilizer Institute and White Springs. In February 2012, the US District Court for the Northern District of Florida (District Court) ruled on summary judgment motions filed by the parties seeking to either vacate or uphold the USEPA rule. The District Court upheld the USEPA numeric nutrient criteria for Florida s lakes and springs but rejected the criteria for Florida s streams and rivers as arbitrary and capricious. In November 2012, the USEPA approved numeric nutrient criteria rules in their entirety which had been adopted by the State of Florida and filed with the USEPA in June 2012. These state rules, which have been upheld on appeal, could substitute for the federal rules. In addition, the District Court recently granted the USEPA a further stay (to November 15, 2013) of protection values for certain inland waters but upheld the current effective date (January 6, 2013) of numeric nutrient criteria for Florida lakes and springs. In March 2013, the USEPA and the State of Florida announced an Agreement in Principle and Path Forward with the goal being to make the promulgation of federal water quality standards no longer necessary in Florida. In May 2013, the Florida Legislature enacted legislation that would facilitate the USEPA s withdrawal of its federal rules, thereby allowing the State of Florida to fully implement the adopted state rules. The District Court judge is expected to rule shortly on the USEPA s request to modify the previous District Court consent decree to make its provisions consistent with these recent developments. In the meantime, the company continues to monitor and evaluate actions related to both the federal and state rules. The prospects for implementation of either the federal or the state rule and the availability of the site-specific relief mechanisms under either rule are uncertain.

General

There is no certainty as to the scope or timing of any final, effective requirements to control greenhouse gas emissions in the US or Canada. Canada has withdrawn from participation in the Kyoto Protocol, and the Canadian government has announced its intention to coordinate greenhouse gas policies with the US. Although the US Congress has not passed any greenhouse gas emission control laws, the USEPA has adopted several rules to control such emissions using authority under existing environmental laws. Some Canadian provinces and US states are considering the adoption of greenhouse gas emission control requirements. In Saskatchewan, provincial regulations pursuant to the Management and Reduction of Greenhouse Gases Act, which impose a type of carbon tax to achieve a goal of a 20 percent reduction in greenhouse gas emissions by 2020 compared to 2006 levels, may become effective in 2013. None of these regulations has resulted in material limitations on greenhouse gas emissions at the company s facilities. The company is monitoring these developments and their future effect on its operations cannot be determined with certainty at this time.

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 inherent uncertainties exist 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 that 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 are not 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 are incurred.

13. Guarantees

The environmental regulations of the Province of Saskatchewan require each potash mine to have decommissioning and reclamation plans, and financial assurances for these plans, approved by the responsible provincial minister. The Minister of the Environment for Saskatchewan (MOE) has approved the plans previously submitted by the company, which had provided a CDN $2 irrevocable letter of credit and a payment of CDN $3 into the agreed-upon trust fund. Under the regulations, the decommissioning and reclamation plans and financial assurances are to be reviewed at least once every five years, or as required by the MOE. The most recent scheduled review was to be completed by June 30, 2011. The company submitted its decommissioning and reclamation plans and its financial assurances proposal in May 2011. The MOE has previously advised that it considers the company in compliance with the regulations until the review is finalized. In April 2013, the company received a counter proposal from the MOE that includes a proposed increase to the amount of required funding to a trust fund. The company responded to the MOE counter proposal in August 2013, requesting certain modifications, and is currently awaiting a response from the MOE. The company does not believe that the additional funding amounts being discussed with the MOE with respect to this matter are reasonably likely to have a material impact on its consolidated financial position or results of operations.

14. Related Party Transactions

The company sells potash from its Saskatchewan mines for use outside Canada and the US exclusively to Canpotex, a potash export, sales and marketing company owned in equal shares by the three producers in Saskatchewan. Sales are at prevailing market prices and are settled on normal trade terms. Sales to Canpotex for the three months ended September 30, 2013 were $199 (2012 $312) and the nine months ended September 30, 2013 were $1,069 (2012 $1,272). At September 30, 2013, $118 (December 31, 2012 $251) was owing from Canpotex.

15. Comparative Figures

As described in Note 1, as a result of the retrospective adoption of amendments to IAS 1 effective January 1, 2013, prior periods figures within the condensed consolidated statements of comprehensive income have been reclassified to conform with the current period s presentation.

Additionally, certain prior periods figures within the condensed consolidated statements of changes in equity have been reclassified to conform with the current period s presentation which the company believes provides more succinct information.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is the responsibility of management and is as of October 29, 2013. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised exclusively of independent directors. The audit committee reviews and, prior to its publication, approves this disclosure, pursuant to the authority delegated to it by the Board of Directors. The term PCS refers to Potash Corporation of Saskatchewan Inc. and the terms we, us, our, PotashCorp and the company refer to PCS and, as applicable, PCS and its direct and indirect subsidiaries as a group. Additional information relating to PotashCorp, including our Annual Report on Form 10-K for the year ended December 31, 2012 (Form 10-K), can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml. The company is a foreign private issuer under the rules and regulations of the US Securities and Exchange Commission (the SEC); however, it currently files voluntarily on the SEC s domestic forms.

PotashCorp and Our Business Environment

PotashCorp is an integrated producer of fertilizer, industrial and animal feed products. We are the world s largest fertilizer company by capacity, producing the three primary crop nutrients: potash (K), nitrogen (N) and phosphate (P). As the world s leading potash producer, we are responsible for approximately 20 percent of global potash capacity through our Canadian operations. To enhance our global footprint, we also have investments in other key global potash-related businesses in South America, the Middle East and Asia. We complement our potash assets with focused positions in nitrogen and phosphate.

We sell fertilizer to North American retailers, cooperatives and distributors that provide storage and application services to farmers, the end users. Our offshore customers are government agencies and private importers that buy under contract and on the spot market; while spot market sales are more prevalent in North America, South America and Southeast Asia. Fertilizers are sold primarily for spring and fall application in both Northern and Southern hemispheres.

Transportation is an important part of the final purchase price for fertilizer so producers usually sell to the closest customers. In North America, we sell mainly on a delivered basis via rail, barge, truck and pipeline. Offshore customers purchase product either at the port where it is loaded or delivered with freight included directly to a specified location.

Potash, nitrogen and phosphate are also used as inputs for the production of animal feed and industrial products. Most feed and industrial sales are by contract and are more evenly distributed throughout the year than fertilizer sales.

PotashCorp Strategy

We believe that our ability to deliver superior long-term financial returns is the cornerstone of establishing enduring value for all stakeholders. Strong financial performance rewards our shareholders and, at the same time, allows us to focus on our broader social and environmental responsibilities and contribute to the long-term success of our customers, employees, suppliers and communities.

In each nutrient segment, we develop strategies and set priorities that align with our broad goals. Each nutrient plays an important part in our success, but we believe our unique leverage in potash offers the greatest opportunity for future growth.

Our strategic approach in potash is to build on our world-class position whenever opportunities arise that can enhance our value, and to focus on matching our production to market demand (to reduce downside risk and conserve the long-term value of our resource, while still striving to grow our volumes as capacity rises). Our strategic approach in nitrogen is to enhance gross margin and earnings stability by being a lower delivered-cost supplier to the large US market, emphasizing ammonia sales to industrial customers that value long-term secure supply, and to focus on initiatives that can reduce our environmental impact. Our strategic approach in phosphate is to leverage our high-quality rock and produce the industry s most diversified mix of products in an attempt to maximize returns and provide earnings stability, with a focus on reducing our environmental footprint to support the long-term viability of our operations.

We seek to be the supplier of choice to the markets we serve. It is critical to our success that our customers recognize our ability to create value for them based on the price they pay for our products.

As we plan for our future, we carefully weigh our choices for use of our cash flow. We will continue to deploy cash in ways that we believe achieve the best return for our investors, such as enhancing dividends, repurchasing shares and growing our potash business as value-adding opportunities arise.

Key Performance Drivers Performance Compared to Targets

Through our integrated value model, we set, evaluate and refine our goals and priorities to drive improvements that benefit all those impacted by our business. We demonstrate our accountability by tracking and reporting our progress against targets related to each goal. Our long-term goals and 2013 targets are set out on pages 42 to 52 of our 2012 Annual Integrated Report. A summary of our progress against selected goals and representative annual targets is set out below.

Goal	**Representative 2013 Annual Target**	**Performance to September 30, 2013**
Create superior long-term shareholder value.	Exceed total shareholder return performance for our sector and the DAXglobal Agribusiness Index.	PotashCorp s total shareholder return was -21 percent in the first nine months of 2013 compared to our sector s weighted average return (based on market capitalization) of -23 percent and the DAXglobal Agribusiness Index weighted average return (based on market capitalization) of NIL percent.
Be the supplier of choice to the markets we serve.	Reduce domestic potash net rail cycle time through the Chicago corridor by 10 percent in 2014, compared to 2011 levels.	The domestic potash net rail cycle time through the Chicago corridor during the third quarter of 2013 continued to improve compared to both the first and second quarters of 2013 and the comparable third quarter of the benchmark 2011 period. Improved rail performance during the third quarter of 2013 resulted in a 10 percent reduction in the net rail cycle time from the third quarter 2011 benchmark period. This improvement helped offset higher first quarter 2013 cycle times related to severe winter weather in the Canadian prairies and lowered our performance for the first nine months of 2013 to slightly below the comparable period in 2011.
Attract and retain talented, motivated and productive employees who are committed to our long-term goals.	Maintain an annual employee turnover rate (excluding retirements) of 5 percent or less.	Employee turnover rate (excluding retirements) on an annualized basis for the first nine months of 2013 was 4.8 percent.
Achieve no harm to people.	Become one of the safest resource companies in the world within five years by achieving a recordable injury rate in the lowest quartile of a best-in-class peer group.	A five-year strategic plan was developed in the second quarter of 2013. A benchmark group of best-in-class peer companies will be developed in the fourth quarter of 2013.
	Reduce total site recordable injury rate to 1.25 (per 200,000 hours worked) or lower.	During the first nine months of 2013, total site recordable injury rate was 1.12.
Achieve no damage to the environment.	Reduce total reportable incidents (releases, permit excursions and spills) by 15 percent from 2012 levels.	Annualized total reportable incidents were down 11 percent during the first nine months of 2013 compared to 2012 annual levels. Compared to the first nine months of 2012, total reportable incidents were down 28 percent.

Performance Overview

This discussion and analysis are based on the company s unaudited interim condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q (financial statements in this Form 10-Q) based on International Financial Reporting Standards, as issued by the International Accounting Standards

Board (IFRS), unless otherwise stated. All references to per-share amounts pertain to diluted net income per share.

For an understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results and financial condition, the entire document should be read carefully, together with our 2012 Annual Integrated Report.

Earnings Guidance Third Quarter 2013

	Original Company Guidance	Actual Results
Earnings per share	$ 0.45 $0.60	$ 0.41

Overview of Actual Results

	Three Months Ended September 30				Nine Months Ended September 30			
Dollars (millions) except per-share amounts	**2013**	**2012**	**Change**	**% Change**	**2013**	**2012**	**Change**	**% Change**
Sales	$ 1,520	$ 2,143	$ (623)	(29)	$ 5,764	$ 6,285	$ (521)	(8)
Gross margin	484	927	(443)	(48)	2,330	2,824	(494)	(17)
Operating income	505	918	(413)	(45)	2,249	2,460	(211)	(9)
Net income	356	645	(289)	(45)	1,555	1,658	(103)	(6)
Net income per share diluted	0.41	0.74	(0.33)	(45)	1.77	1.89	(0.12)	(6)
Other comprehensive (loss) income	(258)	313	(571)	n/m	(561)	444	(1,005)	n/m

n/m = not meaningful

Earnings in the third quarter of 2013 were lower than the third quarter of 2012 due mostly to lower potash volumes and lower prices in potash, nitrogen and phosphate. For the first nine months of 2013, earnings were lower than 2012 due to lower potash and phosphate prices, partially offset by higher potash volumes, and a $341 million non-tax deductible charge related to the impairment of our investment in Sinofert Holdings Limited (Sinofert) in the second quarter of 2012 that did not repeat in 2013.

The need for proper crop nutrition fueled strong demand for potash through the first half of 2013, but an announced change in strategy by Uralkali in late July created considerable market uncertainty and stalled global demand. Key offshore markets particularly large contract buyers in China and India delayed purchases or were reluctant to accept major tonnage against existing contracts. Although Brazil continued to be a region of relative strength, with buyers procuring tonnes in preparation for their upcoming planting season, offshore shipments from North American producers fell to one of the lowest third-quarter totals in recent history. In North America, a pause in purchasing early in the quarter and a late crop resulted in shipments below the record achieved in 2012, a period when demand was pulled forward because an early harvest enabled strong fall applications. In both the offshore and North American markets, pricing weakened as the quarter progressed.

In nitrogen, US demand for ammonia, urea and nitrogen solutions was relatively flat compared to last year and production from low-

cost domestic producers increased, reducing the need for higher-cost offshore imports. While this situation benefited domestic producers, the combination of typical seasonal slowness and increased availability of new supply from offshore exporting regions softened key global reference prices through the quarter.

Global phosphate markets were subdued during the quarter, as strong Latin American demand was offset by the continued absence of significant engagement from India and a delayed start to the US fall application season. Solid phosphate fertilizer shipments from US producers were slightly below those of both the third quarter and the first nine months of 2012. This environment put downward pressure on prices for most phosphate products.

Other significant factors that affected earnings quarter over quarter and year over year were lower provincial mining and other taxes due primarily to the timing of annual potash production tax accruals, lower income taxes, due to decreased ordinary earnings before taxes, and lower earnings from equity-accounted investees.

Other comprehensive loss for the third quarter of 2013 was due to decreases in the fair value of our investments in Israel Chemicals Ltd. (ICL) and Sinofert. Other comprehensive income in the third quarter of 2012 was primarily the result of an increase in the fair value of our investments in ICL and Sinofert. Other comprehensive loss for the first nine months of 2013 was mainly the result of a decrease in the fair value of our investments in ICL and Sinofert, partially offset by a net actuarial gain resulting from a

remeasurement of our defined benefit plans. Other comprehensive income for the first nine months of 2012 was primarily affected by the reclassification to income of a $341 million unrealized loss on

our investment in Sinofert which was impaired in the second quarter of 2012, a remeasurement of our defined benefit plans and an increase in the fair value of our investment in ICL.

Balance Sheet

The most significant contributors to the changes in our statements of financial position were as follows[1]:

[1] Direction of arrows refers to increase or decrease.

Assets	Liabilities
i Available-for-sale investments were mainly impacted by the lower fair value of our investments in ICL and Sinofert.	i Long-term debt declined as our senior notes due May 15, 2014 were classified as current during the second quarter of 2013.
h Property, plant and equipment increased primarily (72 percent) due to our previously announced potash capacity expansions and other potash projects.	h Deferred income tax liabilities increased primarily due to tax depreciation exceeding accounting depreciation, the tax impact on the remeasurement of our defined benefit plans in the second quarter of 2013, reduced deferred tax assets on unexercised stock options and a Canadian income tax rate increase.
i Receivables fell due to a reduction in income tax, potash production tax and trade receivables from Canpotex Limited (Canpotex).	i Payables and accrued charges were impacted by (1) lower trade payables; (2) higher dividends payable due to announced increases in dividends per share; and (3) fewer other payables due to decreases in accrued capital expenditures across all plant sites and payments made to settle the company s eight anti-trust lawsuits.
	i Asset retirement obligations and accrued environmental costs were primarily impacted by the use of a higher risk-free interest rate.

Equity

h Equity was impacted by net income, other comprehensive loss (both discussed in more detail above), dividends declared and common shares repurchased for cancellation (see Note 5 to the financial statements in this Form 10-Q) during the first nine months of 2013.

As at September 30, 2013, $496 million (December 31, 2012 $481 million) of our cash and cash equivalents were held in certain foreign subsidiaries. There are no current plans to repatriate these funds in a taxable manner.

Operating Segment Review

We report our results (including gross margin) in three business segments: potash, nitrogen and phosphate as described in Note 6 to the financial statements in this Form 10-Q. Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance. Management includes net sales in segment disclosures in the unaudited interim condensed consolidated financial statements pursuant to IFRS, which require segmentation based upon our internal organization and reporting of revenue and profit measures derived from internal accounting methods. As a component of gross margin, net sales (and the related per-tonne

amounts) are the primary revenue measures we use and review in making decisions about operating matters on a business segment basis. These decisions include assessments about potash, nitrogen and phosphate performance and the resources to be allocated to these segments. We also use net sales (and the related per-tonne amounts) for business planning and monthly forecasting. Net sales are calculated as sales revenues less freight, transportation and distribution expenses. Realized prices refer to net sales prices.

Our discussion of segment operating performance is set out below and includes nutrient product and/or market performance results, where applicable, to give further insight into these results.

Potash

Potash Financial Performance

	Three Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average per Tonne[1]		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Manufactured product									
Net sales									
North America	$ 240	$ 443	(46)	721	951	(24)	$ 333	$ 466	(29)
Offshore	240	441	(46)	843	1,107	(24)	$ 285	$ 398	(28)
	480	884	(46)	1,564	2,058	(24)	$ 307	$ 429	(28)
Cost of goods sold	(248)	(330)	(25)				$ (159)	$ (160)	(1)
Gross margin	232	554	(58)				$ 148	$ 269	(45)
Other miscellaneous and purchased product gross margin[2]	(4)		n/m						
Gross Margin	$ 228	$ 554	(59)				$ 146	$ 269	(46)

n/m = not meaningful
(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.
(2) Comprised of net sales of $2 million (2012 $3 million) less cost of goods sold of $6 million (2012 $3 million).

	Nine Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average per Tonne(1)		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Manufactured product									
Net sales									
North America	$ 923	$ 968	(5)	2,349	2,002	17	$ 393	$ 484	(19)
Offshore	1,271	1,588	(20)	3,986	3,911	2	$ 319	$ 406	(21)
	2,194	2,556	(14)	6,335	5,913	7	$ 346	$ 432	(20)
Cost of goods sold	(842)	(876)	(4)				$ (133)	$ (148)	(10)
Gross margin	1,352	1,680	(20)				$ 213	$ 284	(25)
Other miscellaneous and purchased product gross margin(2)	(7)	2	n/m						
Gross Margin	$ 1,345	$ 1,682	(20)				$ 212	$ 284	(25)

n/m = not meaningful

(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.

(2) Comprised of net sales of $9 million (2012 $10 million) less cost of goods sold of $16 million (2012 $8 million).

Potash gross margin variance attributable to:

	Three Months Ended September 30 2013 vs. 2012 Change in				Nine Months Ended September 30 2013 vs. 2012 Change in			
		Prices/Costs				Prices/Costs		
	Change in	Net	Cost of		Change in	Net	Cost of	
Dollars (millions)	Sales Volumes	Sales	Goods Sold	Total	Sales Volumes	Sales	Goods Sold	Total
Manufactured product								
North America	$ (101)	$ (82)	$ 3	$ (180)	$ 134	$ (213)	$ 6	$ (73)
Offshore	(81)	(92)	31	(142)	26	(347)	66	(255)
Change in market mix	14	(16)	2		(17)	15	2	
Total manufactured product	$ (168)	$ (190)	$ 36	(322)	$ 143	$ (545)	$ 74	(328)
Other miscellaneous and purchased product				(4)				(9)
Total				$ (326)				$ (337)

Offshore sales to major markets, by percentage of sales volumes, were as follows:

	Three Months Ended September 30 By Canpotex						Nine Months Ended September 30 By Canpotex					
				From New Brunswick						From New Brunswick		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Other Asia (excluding China and India)	39	41	(5)				41	45	(9)			
Latin America	34	32	6	100	100		28	29	(3)	100	100	
China	8	12	(33)				17	15	13			
India	9	5	80				8	6	33			
Oceania, Europe and Other	10	10					6	5	20			
	100	100		100	100		100	100		100	100	

The most significant contributors to the change in total gross margin quarter over quarter were as follows[(1)]:

(1) Direction of arrows refers to impact on gross margin.

Net Sales Prices	Sales Volumes	Cost of Goods Sold
i Buyer caution and competitive pressures in all key markets weakened the pricing environment and our average realized price was down.	i With many buyers delaying purchases, our third-quarter sales volumes declined. In North America, sales volumes were in line with historical levels but trailed the record in the third quarter of 2012. In offshore markets, sales fell as a result of reduced sales to Canpotex and fewer tonnes shipped from our New Brunswick facility.	h Brine management costs fell as our tolling agreement at Esterhazy expired at the end of 2012. h More product from our lower-cost mines went to offshore customers resulting in a higher positive cost of goods sold variance.

The most significant contributors to the change in total gross margin year over year were as follows[(1)]:

[(1)] Direction of arrows refers to impact on gross margin.

Net Sales Prices	Sales Volumes	Cost of Goods Sold
i Our average realized potash price trailed the first nine months of 2012, reflecting lower pricing that took hold late in 2012 and 2013.	h With limited dealer inventory carried into 2013 and strong agricultural fundamentals, North American sales volumes grew in the first half of 2013 more than offsetting lower third-quarter results. Buyer destocking occurred in the first half of 2012.	h Brine management costs fell as our tolling agreement at Esterhazy expired at the end of 2012.
	h Record volumes shipped by Canpotex in the first half of 2013 (due to settlements with China and India occurring earlier than the previous year and less inventory being carried into 2013 in major offshore spot markets) more than offset declines in the third quarter.	h 32 shutdown weeks were taken in 2013 mainly as a result of our strategy to match production with market demand (55 shutdown weeks were taken in 2012 primarily to match supply to demand; during this downtime, we opted to allocate resources to non-production activities rather than lay off employees, which resulted in higher shutdown costs).
		h Royalty costs declined due to lower average North American listed sales price per tonne.
		h More product from our lower-cost mines went to offshore customers resulting in a higher positive cost of goods sold variance.

Potash Non-Financial Performance

	Three Months Ended September 30			Nine Months Ended September 30		
	2013	**2012**	**% Change**	**2013**	**2012**	**% Change**
KCl tonnes produced (thousands)	1,150	1,579	(27)	5,852	5,961	(2)
Total site recordable injury rate	1.75	2.84	(38)	1.45	2.32	(38)
Employee turnover percentage (annualized)	6.4%	4.6%	39	5.6%	5.0%	12
Waste (000 s tonnes)	2,770	2,307	20	13,210	10,027	32
Environmental incidents	3	2	50	11	7	57

During the second quarter of 2013, we successfully completed a safe Canpotex entitlement run at Cory which will allow us a greater proportion of Canpotex sales to offshore markets and almost offsets the loss from the ending of our long-term tolling agreement at Esterhazy.

While production included normal maintenance downtime in 2013 and 2012, potash production was also affected by additional downtime at Cory (four weeks) and reduced operating rates at our Lanigan and Rocanville facilities (both of which experienced no reductions in 2012); year over year results were almost offset by the reduction in shutdown weeks as discussed above.

Total site recordable injury rate declined because of the effort by the site teams and an external consultant on targeted safety improvement projects at Allan, Cory and Rocanville as well as on-going safety improvements at other sites.

The labor market for talent in Saskatchewan is very competitive and has afforded employees opportunities to seek other employment that would coincide with relocation due to family or other personal reasons. We believe our pay and benefits remain very competitive.

Waste is comprised of byproducts, including: coarse and fine tailings and salt as brine to injection wells. Waste increased due to increased mining waste per tonne combined with increased mining activity at certain sites.

The increase in environmental incidents in potash for the first nine months of 2013 is due largely to several failures of refrigerant lines in new HVAC units installed at New Brunswick.

Nitrogen

Nitrogen Financial Performance

	Three Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average per Tonne[1]		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Manufactured product									
Net sales									
Ammonia	$ 210	$ 299	(30)	455	466	(2)	$ 461	$ 641	(28)
Urea	82	121	(32)	218	241	(10)	$ 376	$ 504	(25)
Solutions/Nitric acid/Ammonium nitrate	158	104	52	700	438	60	$ 226	$ 238	(5)
	450	524	(14)	1,373	1,145	20	$ 327	$ 458	(29)
Cost of goods sold	(275)	(291)	(5)				$ (199)	$ (254)	(22)
Gross margin	175	233	(25)				$ 128	$ 204	(37)
Other miscellaneous and purchased product gross margin[2]	3	18	(83)						
Gross Margin	$ 178	$ 251	(29)				$ 130	$ 219	(41)

(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.
(2) Comprised of net sales of $17 million (2012 $65 million) less cost of goods sold of $14 million (2012 $47 million).

	Nine Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average per Tonne[1]		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Manufactured product									
Net sales									
Ammonia	$ 820	$ 794	3	1,484	1,499	(1)	$ 553	$ 530	4
Urea	347	456	(24)	800	870	(8)	$ 433	$ 525	(18)
Solutions/Nitric acid/Ammonium nitrate	489	338	45	1,978	1,371	44	$ 247	$ 246	
	1,656	1,588	4	4,262	3,740	14	$ 388	$ 425	(9)
Cost of goods sold	(940)	(869)	8				$ (220)	$ (233)	(6)
Gross margin	716	719					$ 168	$ 192	(13)
Other miscellaneous and purchased product gross margin[2]	9	53	(83)						
Gross Margin	$ 725	$ 772	(6)				$ 170	$ 206	(17)

(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.
(2) Comprised of net sales of $47 million (2012 $140 million) less cost of goods sold of $38 million (2012 $87 million).

Nitrogen gross margin variance attributable to:

	Three Months Ended September 30 2013 vs. 2012				Nine Months Ended September 30 2013 vs. 2012			
		Change in Prices/Costs				Change in Prices/Costs		
Dollars (millions)	Change in Sales Volumes	Net Sales	Cost of Goods Sold	Total	Change in Sales Volumes	Net Sales	Cost of Goods Sold	Total
Manufactured product								
Ammonia	$ 5	$ (83)	$ 4	$ (74)	$ 6	$ 34	$ (54)	$ (14)
Urea	(5)	(28)	(3)	(36)	(23)	(73)	(22)	(118)
Solutions, NA, AN	21	(9)	33	45	81	2	26	109
Hedge			7	7			20	20
Change in market mix	66	(57)	(9)		140	(118)	(22)	
Total manufactured product	$ 87	$ (177)	$ 32	(58)	$ 204	$ (155)	$ (52)	(3)
Other miscellaneous and purchased product				(15)				(44)
Total				$ (73)				$ (47)

	Three Months Ended September 30 Sales Tonnes (thousands)		Price per Tonne		Nine Months Ended September 30 Sales Tonnes (thousands)		Price per Tonne	
	2013	2012	2013	2012	2013	2012	2013	2012
Fertilizer	406	301	$ 309	$ 455	1,225	1,108	$ 397	$ 474
Industrial and Feed	967	844	$ 335	$ 459	3,037	2,632	$ 385	$ 404
	1,373	1,145	$ 327	$ 458	4,262	3,740	$ 388	$ 425

The most significant contributors to the change in total gross margin quarter over quarter were as follows[(1)]:

(1) Direction of arrows refers to impact on gross margin.

Net Sales Prices

i Ammonia prices pulled back from the historically high levels of third-quarter 2012, while urea moved lower primarily due to increased supply pressures from key exporting countries.

Sales Volumes

h Despite maintenance-related downtime in Trinidad, our third-quarter sales volumes increased; the key driver being the restart of ammonia capacity at Geismar.

Cost of Goods Sold

h Average natural gas costs in production, including hedge, decreased 27 percent. Natural gas costs in Trinidad production fell 31 percent (contract price indexed, in part, to Tampa ammonia prices) while our US spot costs for natural gas used in production increased 19 percent. Including losses on our hedge position, US gas prices declined 11 percent.

h The cost of goods sold variance was higher for solutions/nitric acid/ammonium nitrate due to the impact of costs associated with Geismar in 2012 that did not repeat in 2013.

The change in market mix produced a favorable variance of $66 million related to sales volumes and an unfavorable variance of $57 million in sales prices due to increased sales of solutions as a result of our expansion at Geismar in 2013.

The most significant contributors to the change in total gross margin year over year were as follows[(1)]:

(1) Direction of arrows refers to impact on gross margin.

Net Sales Prices

h Sales prices rose due to strong spot ammonia pricing achieved in the second half of 2012 that carried over into 2013, despite prices declining throughout the first nine months of 2013.

i Urea prices fell due to increased global capacity and record urea exports from China.

Sales Volumes

h Additional ammonia capacity at Geismar and Augusta led to an increase in saleable tonnes of downstream products.

i Urea volumes were down as gas interruptions in Trinidad led us to divert more production to higher-margin ammonia.

Cost of Goods Sold

i Our US spot costs for natural gas used in production increased 35 percent. Including losses on our hedge position, US gas prices increased 3 percent.

h The cost of goods sold variance was positive for solutions/nitric acid/ammonium nitrate due to the impact of costs associated with Geismar in 2012 that did not repeat in 2013.

The change in market mix produced a favorable variance of $140 million related to sales volumes and an unfavorable variance of $118 million in sales prices due to increased sales of solutions as a result of our expansion at Geismar in 2013.

Nitrogen Non-Financial Performance

	Three Months Ended September 30			Nine Months Ended September 30		
	2013	**2012**	**% Change**	**2013**	**2012**	**% Change**
N tonnes produced (thousands)	705	651	8	2,155	2,029	6
Total site recordable injury rate	0.76	0.55	38	0.63	0.44	43
Employee turnover percentage (annualized)	7.7%	4.6%	67	6.0%	4.6%	30
Greenhouse gas emissions (CO_2 equivalent tonnes/tonne of product)	2.4	2.3	4	2.3	2.3	
Environmental incidents		3	(100)	1	6	(83)

There were 14 recordable injuries in the first nine months of 2013 compared to 14 in the same period in 2012, but fewer hours were worked in 2013, resulting in an increase in the nitrogen total site recordable injury rate.

An increase in voluntary terminations, which comprised the majority of employee turnover, drove an increase in employee turnover.

Environmental incidents fell due to improvement initiatives to find ways of reducing the company s environmental impact, including the implementation of Reportable Quantity (RQ) prevention teams at each facility.

Phosphate

Phosphate Financial Performance

	Three Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average per Tonne[1]		
	2013	**2012**	**% Change**	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**
Manufactured product									
Net sales									
Fertilizer	$ 250	$ 333	(25)	634	676	(6)	$ 395	$ 493	(20)
Feed and Industrial	176	172	2	279	263	6	$ 631	$ 654	(4)
	426	505	(16)	913	939	(3)	$ 467	$ 537	(13)
Cost of goods sold	(351)	(388)	(10)				$ (384)	$ (413)	(7)
Gross margin	75	117	(36)				$ 83	$ 124	(33)
Other miscellaneous and purchased product gross margin[2]	3	5	(40)						
Gross Margin	$ 78	$ 122	(36)				$ 85	$ 130	(35)

(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.
(2) Comprised of net sales of $6 million (2012 $8 million) less cost of goods sold of $3 million (2012 $3 million).

	Nine Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average per Tonne[1]		
	2013	**2012**	**% Change**	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**

Manufactured product									
Net sales									
Fertilizer	$ 835	$ 1,004	(17)	1,859	1,932	(4)	$ 449	$ 520	(14)
Feed and Industrial	568	581	(2)	887	873	2	$ 640	$ 666	(4)
	1,403	1,585	(11)	2,746	2,805	(2)	$ 511	$ 565	(10)
Cost of goods sold	(1,153)	(1,229)	(6)				$ (420)	$ (438)	(4)
Gross margin	250	356	(30)				$ 91	$ 127	(28)
Other miscellaneous and purchased product gross margin[2]	10	14	(29)						
Gross Margin	$ 260	$ 370	(30)				$ 95	$ 132	(28)

[1] Rounding differences may occur due to the use of whole dollars in per-tonne calculations.

[2] Comprised of net sales of $20 million (2012 $25 million) less cost of goods sold of $10 million (2012 $11 million).

Phosphate gross margin variance attributable to:

	Three Months Ended September 30 2013 vs. 2012				Nine Months Ended September 30 2013 vs. 2012			
		Change in Prices/Costs				Change in Prices/Costs		
Dollars (millions)	Change in Sales Volumes	Net Sales	Cost of Goods Sold	Total	Change in Sales Volumes	Net Sales	Cost of Goods Sold	Total
Manufactured product								
Fertilizer	$ (7)	$ (61)	$ 22	$ (46)	$ (13)	$ (131)	$ 43	$ (101)
Feed and Industrial	6	(8)	6	4	4	(24)	15	(5)
Change in market mix	(6)	4	2		(6)	6		
Total manufactured product	$ (7)	$ (65)	$ 30	(42)	$ (15)	$ (149)	$ 58	(106)
Other miscellaneous and purchased product				(2)				(4)
Total				$ (44)				$ (110)

The most significant contributors to the change in total gross margin quarter over quarter were as follows[1]:

[1] Direction of arrows refers to impact on gross margin.

Net Sales Prices