

POTASH CORP OF SASKATCHEWAN INC
Form 10-Q
November 03, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2015

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 <i>(State or other jurisdiction of incorporation or organization)</i>	N/A <i>(I.R.S. Employer Identification No.)</i>
122 1 Avenue South Saskatoon, Saskatchewan, Canada <i>(Address of principal executive offices)</i>	S7K 7G3 <i>(Zip Code)</i>
306-933-8500	

(Registrant's telephone number, including area code)

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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 September 30, 2015, Potash Corporation of Saskatchewan Inc. had 834,948,893 Common Shares outstanding.

Part I. Financial Information

Item 1. Financial Statements

Condensed Consolidated Statements of Income

Unaudited

In millions of US dollars except as otherwise noted

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Sales (Note 2)	\$ 1,529	\$ 1,641	\$ 4,925	\$ 5,213
Freight, transportation and distribution	(128)	(141)	(380)	(465)
Cost of goods sold	(896)	(911)	(2,662)	(2,847)
Gross Margin	505	589	1,883	1,901
Selling and administrative expenses	(52)	(49)	(172)	(172)
Provincial mining and other taxes	(79)	(52)	(264)	(175)
Share of earnings of equity-accounted investees	32	20	103	85
Dividend income	7	7	38	100
Impairment of available-for-sale investment				(38)
Other income (Note 3)	8	5	11	36
Operating Income	421	520	1,599	1,737
Finance costs	(49)	(47)	(148)	(142)
Income Before Income Taxes	372	473	1,451	1,595
Income taxes (Note 4)	(90)	(156)	(382)	(466)
Net Income	\$ 282	\$ 317	\$ 1,069	\$ 1,129
Net Income per Share				
Basic	\$ 0.34	\$ 0.38	\$ 1.28	\$ 1.34
Diluted	\$ 0.34	\$ 0.38	\$ 1.28	\$ 1.33
Weighted Average Shares Outstanding				
Basic	834,850,000	829,506,000	833,573,000	840,837,000
Diluted	837,454,000	835,835,000	837,377,000	847,429,000

(See Notes to the Condensed Consolidated Financial Statements)

Condensed Consolidated Statements of Comprehensive (Loss) Income

Unaudited

In millions of US dollars

	Three Months Ended September 30		Nine Months Ended September 30	
(Net of related income taxes)	2015	2014	2015	2014
Net Income	\$ 282	\$ 317	\$ 1,069	\$ 1,129
Other comprehensive loss				
Items that have been or may be subsequently reclassified to net income:				
Available-for-sale investments ⁽¹⁾				
Net fair value loss during the period	(450)	(229)	(391)	(194)
Cash flow hedges				
Net fair value loss during the period ⁽²⁾	(21)	(6)	(42)	(7)
Reclassification to income of net loss ⁽³⁾	13	7	39	20
Other	(3)	(1)	(7)	3
Other Comprehensive Loss	(461)	(229)	(401)	(178)
Comprehensive (Loss) Income	\$ (179)	\$ 88	\$ 668	\$ 951

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

(2) Cash flow hedges are comprised of natural gas derivative instruments and treasury lock derivatives and were net of income taxes of \$11 (2014 \$3) for the three months ended September 30, 2015 and \$23 (2014 \$4) for the nine months ended September 30, 2015.

(3) Net of income taxes of \$(7) (2014 \$(3)) for the three months ended September 30, 2015 and \$(21) (2014 \$(11)) for the nine months ended September 30, 2015.

(See Notes to the Condensed Consolidated Financial Statements)

Condensed Consolidated Statements of Cash Flow

Unaudited

In millions of US dollars

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Operating Activities				
Net income	\$ 282	\$ 317	\$ 1,069	\$ 1,129
Adjustments to reconcile net income to cash provided by operating activities (Note 5)	223	266	652	821
Changes in non-cash operating working capital (Note 5)	(147)	(9)	(6)	(49)
Cash provided by operating activities	358	574	1,715	1,901
Investing Activities				
Additions to property, plant and equipment	(280)	(303)	(802)	(726)
Other assets and intangible assets	(53)	(2)	(68)	(12)
Cash used in investing activities	(333)	(305)	(870)	(738)
Financing Activities				
Proceeds from long-term debt obligations			494	737
Repayment of long-term debt obligations	(502)		(502)	(500)
Proceeds from (repayment of) short-term debt obligations	414	55	(122)	14
Dividends	(313)	(281)	(899)	(857)
Repurchase of common shares				(1,065)
Issuance of common shares		2	42	32
Cash used in financing activities	(401)	(224)	(987)	(1,639)
(Decrease) Increase in Cash and Cash Equivalents	(376)	45	(142)	(476)
Cash and Cash Equivalents, Beginning of Period	449	107	215	628
Cash and Cash Equivalents, End of Period	\$ 73	\$ 152	\$ 73	\$ 152
Cash and cash equivalents comprised of:				
Cash	\$ 39	\$ 63	\$ 39	\$ 63
Short-term investments	34	89	34	89
	\$ 73	\$ 152	\$ 73	\$ 152

(See Notes to the Condensed Consolidated Financial Statements)

Condensed Consolidated Statements of Changes in Equity

Unaudited

In millions of US dollars

		Accumulated Other Comprehensive Income							
			Net	Net			Total		
			unrealized	loss on			Accumulated		
			gain on	derivatives			Other		
			available-for-	designated as			Comprehensive	Retained	
		Share	sale	cash flow			Income	Earnings	
		Capital	investments	hedges	Other			Equity	
		Surplus						(1)	
Balance	December 31, 2014	\$ 1,632	\$ 234	\$ 623	\$ (119)	\$ (1)	\$ 503	\$ 6,423	\$ 8,792
Net income								1,069	1,069
Other comprehensive loss			(391)	(3)	(7)	(401)			(401)
Dividends declared								(957)	(957)
Effect of share-based compensation including issuance of common shares		56	(2)						54
Shares issued for dividend reinvestment plan		32							32
Balance	September 30, 2015	\$ 1,720	\$ 232	\$ 232	\$ (122)	\$ (8)	\$ 102	\$ 6,535	\$ 8,589
Balance	December 31, 2013	\$ 1,600	\$ 219	\$ 780	\$ (105)	\$ (2)	\$ 673	\$ 7,136	\$ 9,628
Net income								1,129	1,129
Other comprehensive (loss) income			(194)	13	3	(178)			(178)
Shares repurchased		(53)	(2)						