



Nitrogen

MORE ADVANTAGES, MORE VALUE

Plants need nitrogen to synthesize protein-building amino acids; it is critical to yield and production of plant DNA and RNA, and is a starter fertilizer for many crops. It also has many industrial uses.

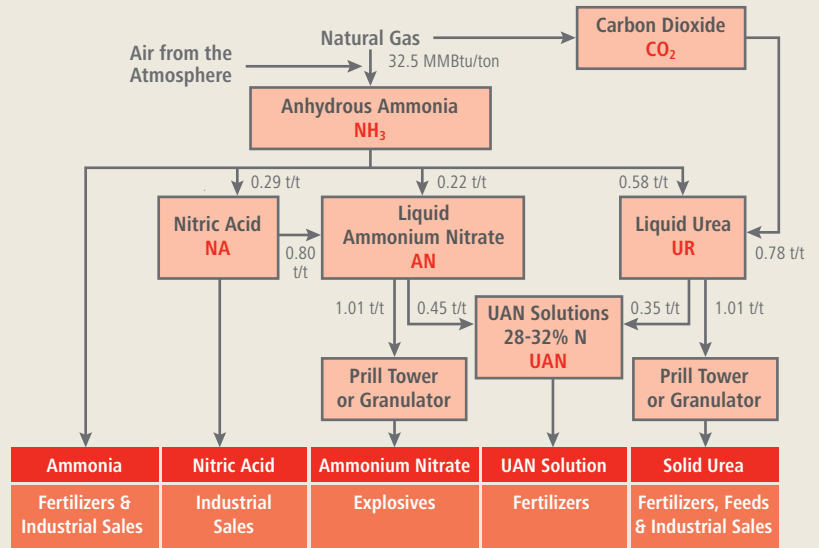
Success in the nitrogen business depends on access to long-term, lower-cost natural gas and proximity to markets; our Trinidad facility, which has the largest offshore ammonia capacity in the Western Hemisphere, benefits from both.

Nitrogen

How Nitrogen Products Are Made

Nitrogen products are manufactured from the feedstock ammonia, which is synthesized from natural gas, steam and air. Ammonia is the most concentrated nitrogen product and can be upgraded into several products.

Urea is the main nitrogen fertilizer product. Liquid forms of urea and ammonium nitrate are also used in agriculture. Ammonium nitrate is made by combining ammonia with nitric acid and has both industrial and agricultural uses.



Source: PotashCorp

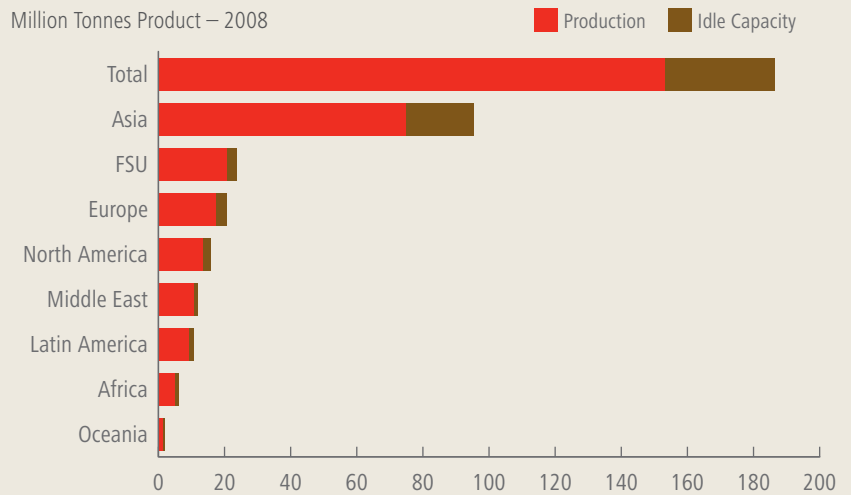
> WORLD AMMONIA PRODUCTION AND IDLE CAPACITY

Nitrogen

Limited Idle Ammonia Capacity Exists Outside of Asia

Asia is the largest ammonia producer, with China alone accounting for close to one-third of global production.

Ammonia production capacity in North America was rationalized over the last decade, driven by substantially higher natural gas feedstock costs than in other producing regions. This production has stabilized in recent years as North America's cost position has substantially improved, particularly relative to nitrogen producers in Europe and the former Soviet Union.



Estimated world operating rate = 82%

Source: Fertecon, PotashCorp

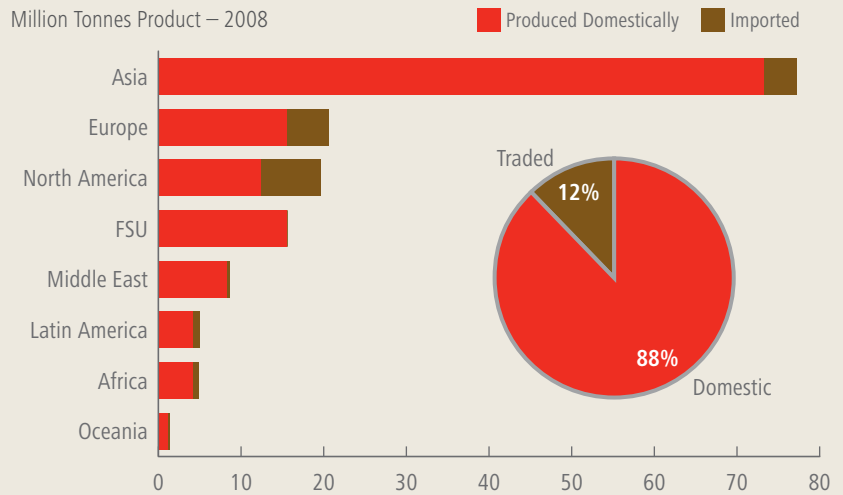
Nitrogen

> WORLD AMMONIA CONSUMPTION AND TRADE

Ammonia Is Consumed Mainly Where It Is Produced

The cost and difficulty of transporting ammonia – it requires specialized refrigerated and pressurized rail and ocean vessels that are in short supply – mean that most is consumed in its domestic market.

China uses virtually all it produces, so it is not a major factor in global trade. North America is the largest ammonia importer and accounts for approximately 40 percent of world trade. Europe, a higher-cost producer, accounts for roughly one-quarter of trade.



Source: Fertecon

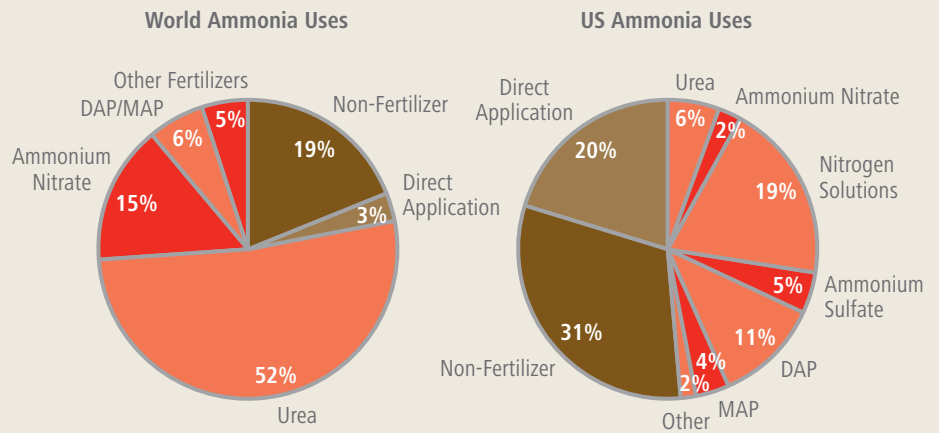
Nitrogen

> WORLD AND US AMMONIA USES*

The US Is a Sophisticated Ammonia User

More than three-quarters of world ammonia is used to produce upgraded fertilizers, mostly urea. Only 3 percent of world ammonia is applied directly on soils.

The US ammonia-use profile is substantially different. It has a large industrial manufacturing base, so its non-fertilizer use is higher. With its well-developed logistical and application infrastructure in agriculture to handle large volumes of direct-application ammonia and nitrogen solutions, its application of upgraded fertilizers other than urea is also higher.



Orange/red sections are use of ammonia for production of upgraded fertilizers

* 2006-2008 average

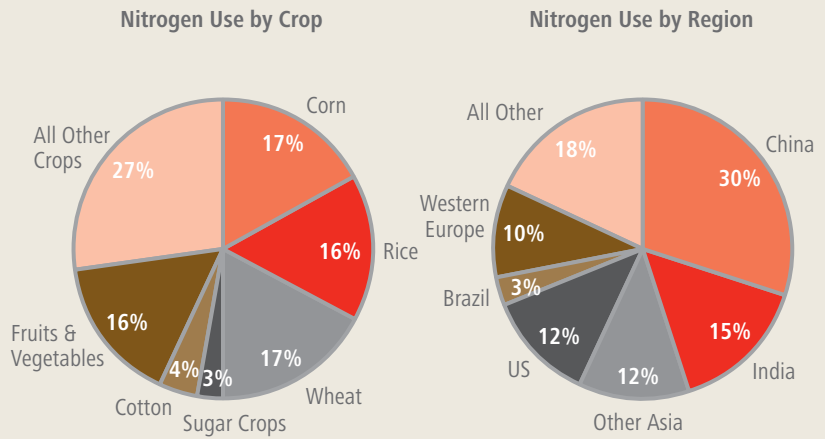
Source: Fertecon; Blue, Johnson & Associates

> WORLD NITROGEN FERTILIZER CONSUMPTION BREAKDOWN

Nitrogen Fertilizer Used by Diverse Set of Crops and Regions

Cereal crops account for more than half of total nitrogen fertilizer consumption worldwide, with wheat, corn and rice consuming virtually equal amounts. Fruits and vegetables are also large users of nitrogen.

Global nitrogen fertilizer use is largest in Asia. China, India and other countries in the region represent nearly 60 percent of total consumption.

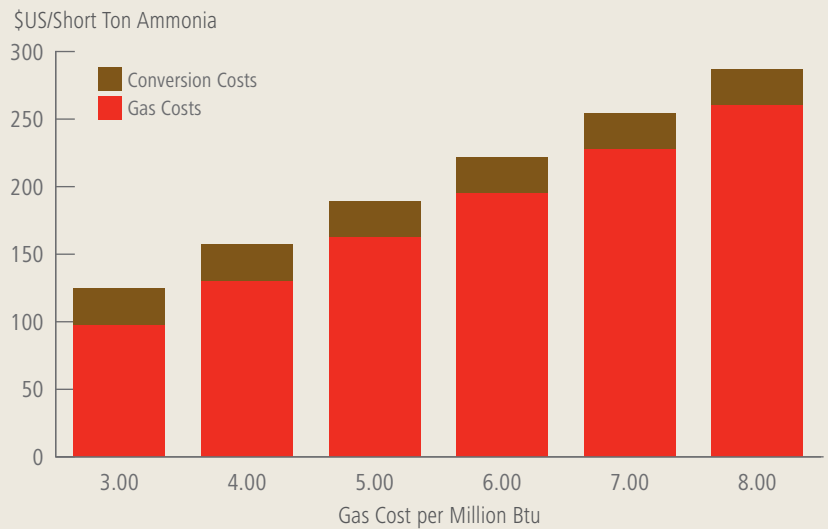


Source: IFA, Fertecon, PotashCorp

> AMMONIA PRODUCTION COST

Natural Gas Makes Up Most of Total Nitrogen Cost

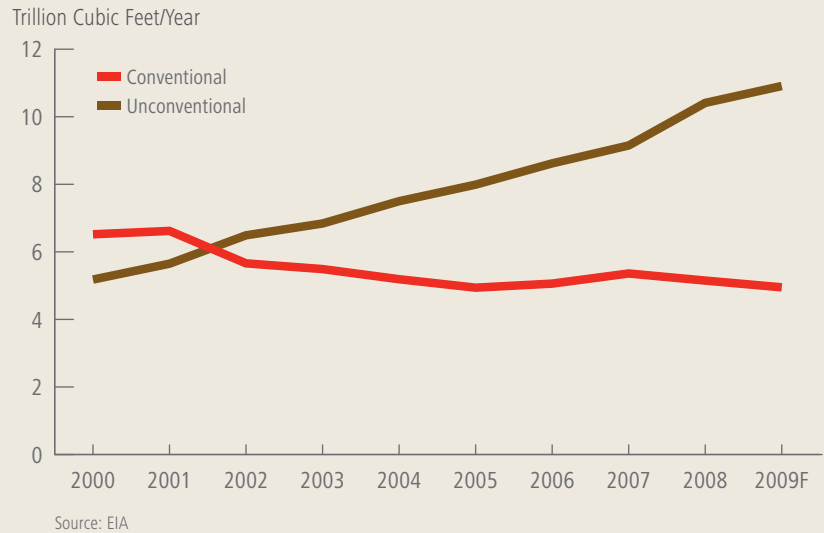
Natural gas is the primary feedstock in ammonia production and, depending on its price, makes up roughly 75-90 percent of the US cash cost of producing ammonia. Since a \$1/MMBtu increase in the price of gas adds about \$32.50 to the cost of manufacturing one short ton of ammonia, long-term access to lower-cost gas is a key determinant of sustainable success in the nitrogen business.



Source: TFI, Fertecon, PotashCorp

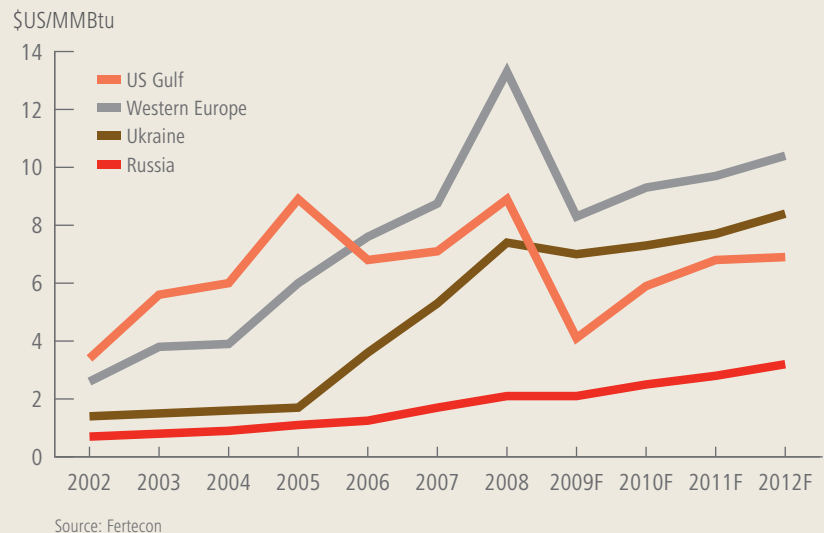
Unconventional Supply Raising US Gas Production

US natural gas production has increased significantly in recent years. Supply pressures due to declines in conventional production that raised gas prices a few years ago have been offset by a more than 20 percent rise in unconventional production. Shale gas production, which uses horizontal drilling and hydrofracturing technology to extract gas from shale, contributed significantly to this growth, and is expected to continue to do so. This has more than met growing natural gas demand, dramatically lowering US gas costs, and it could ease the pressure of rising long-term US demand for natural gas. Domestic nitrogen production is one obvious beneficiary.



High-Cost Nitrogen Producers Are in Europe

Western European natural gas costs are typically linked, with a lag effect, to the price of oil. While a weak global economy and falling oil prices have reduced the gas price there in 2009, most of Western Europe's nitrogen companies continue to be the highest cost producers in the world. Eastern European countries where nitrogen is produced, primarily Ukraine, source gas from Russia, which has been significantly raising prices to these buyers over the past several years to capture a higher value for its energy resource. Gas prices in both areas of Europe are expected to be well above those in other major nitrogen-producing regions in 2009 with the expectation of continued high oil prices and imported Russian gas.



Parity Is Evolving in Global Gas Markets

Ammonia, and all downstream products, can be manufactured wherever there is accessible natural gas. Although not without significant risk, development of nitrogen production facilities or liquefied natural gas (LNG) exporting capabilities in countries that have access to low-cost gas has the potential to impact markets. However, natural gas prices are expected to remain high in certain nitrogen-producing regions, providing a floor price for nitrogen trade everywhere and impacting the ability of nitrogen producers from regions with high gas prices to profitably access the US market.



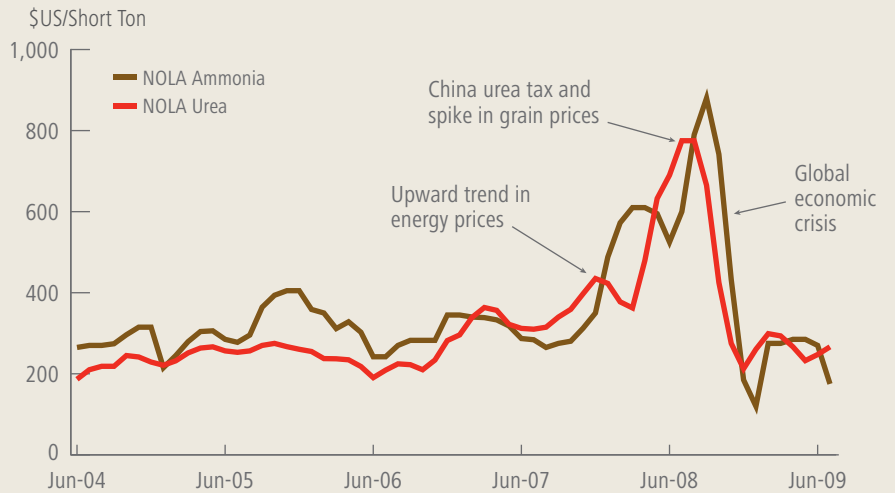
Natural gas prices as of July 31, 2009
 Source: Fertecon, IFA, Canadian Gas Price Reporter, PotashCorp

World Nitrogen Prices Fluctuate

Higher global energy prices, significant Chinese taxes on urea exports and tight supply/demand fundamentals pushed nitrogen prices and margins to record heights through most of 2008.

Markets softened considerably later in the year as the global economic crisis and falling prices caused buyers to defer purchases of fertilizer, and industrial demand slowed. Prices for all nitrogen products fell precipitously, and producers around the world responded by curtailing high-cost capacity.

Despite a slight rebound in nitrogen prices in the first half of 2009, they are still below the cash production cost for many high-cost producers.

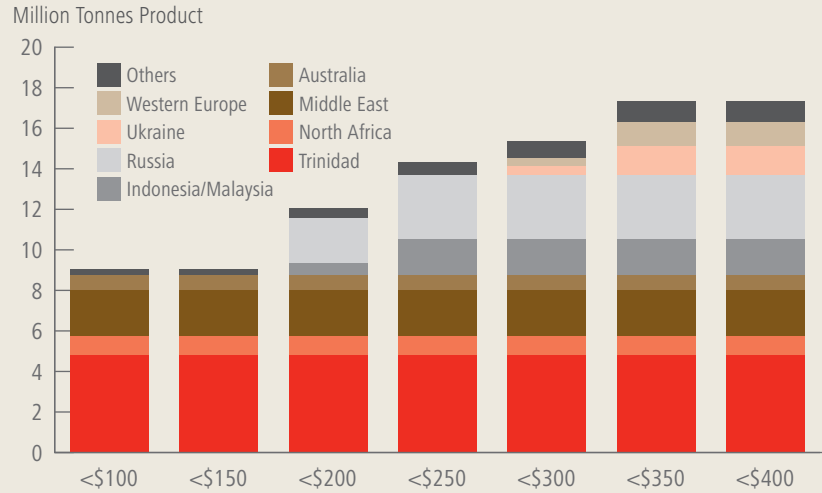


Source: Fertecon

Price Determines Ammonia Exports

Trinidad, North Africa, the Middle East and Australia are low-cost export regions, and together are able to supply around 9 million tonnes of ammonia to the market, about 50 percent of world trade.

Ukraine and Western Europe are high-cost export regions and producers there are currently uncompetitive because their ammonia production costs exceed the market price, due to their higher natural gas costs.

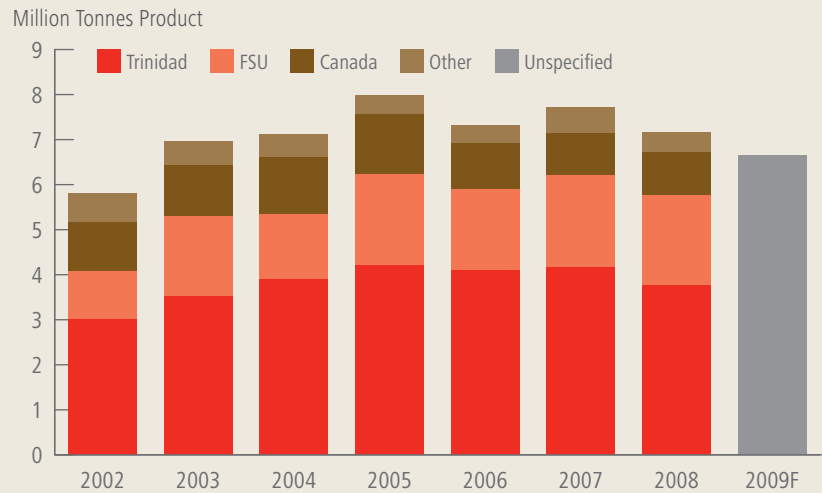


Export volumes based on 2007 trade level, and costs are \$/MT fob port
 Cost of supply estimates based on 2009 annual natural gas price average
 Source: Fertecon, Profercy, PotashCorp

Trinidad Is the Major Ammonia Exporter to the US

The global financial crisis hampered US consumption of ammonia in the first half of 2009, reducing both agricultural and industrial demand. At the same time, lower natural gas prices made US ammonia production more competitive with offshore imports. As a result, 2009 imports are expected to fall well below 2008 levels.

Trinidad accounts for more than half of total US imports and PotashCorp owns approximately 40 percent of Trinidad's ammonia capacity.



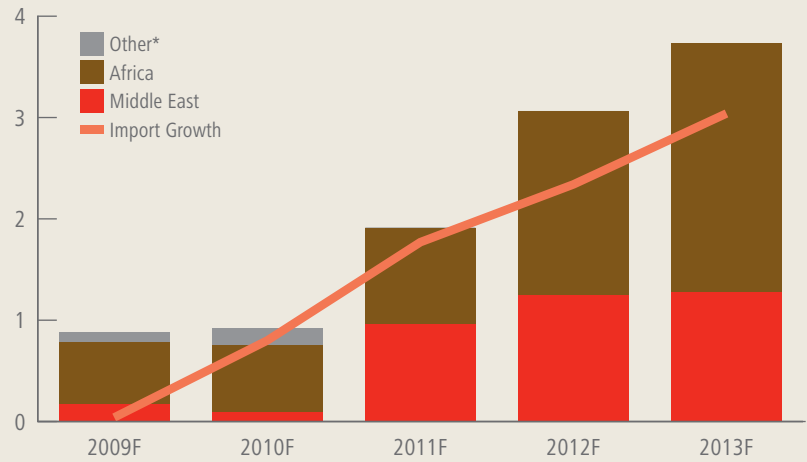
Source: Fertecon, USDOC, PotashCorp

Potential Excess Ammonia Supply in Near Term

As significant nitrogen capacity can be built in three years, good visibility into longer-term supply expectations is challenging. In the near term, new ammonia capacity for trade came online in Egypt (EBIC) in early 2009 that, together with weaker industrial and agricultural demand, could lead to short-term excess supply.

Improved demand and limited new capacity could tighten markets in 2010 and 2011. While projects have been announced that may bring new supply on stream in Algeria, Saudi Arabia and Qatar starting in 2012, high capital costs, low product prices and global economic turmoil could lead to some delays or cancellations.

Million Tonnes Product, Cumulative Growth



* Other includes Western Europe, former Soviet Union, North America and Oceania countries

Source: Fertecon, British Sulphur, PotashCorp

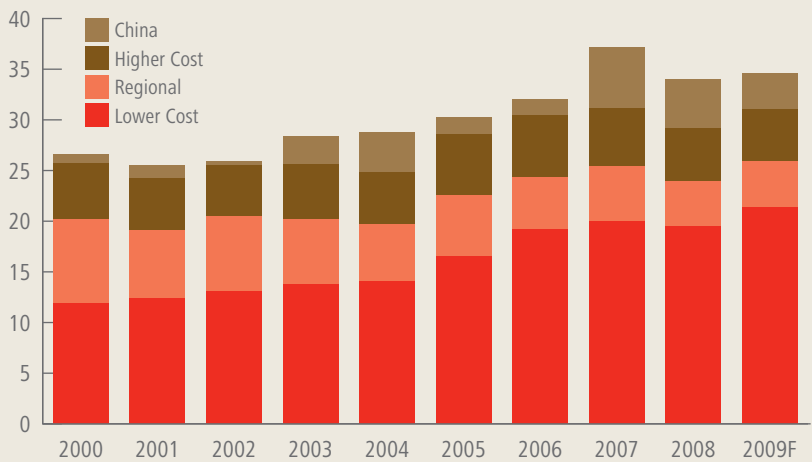
China Remains a Swing Urea Exporter

China was the world's largest urea exporter in 2008, shipping about 5 million tonnes. However, due to high seasonal export taxes and increased energy costs, its 2009 exports are expected to decline to around 3.5 million tonnes.

Lower-cost exporters in the Middle East, Africa, Russia and Latin America accounted for more than half of global trade in 2008.

Regional exporters provide about 14 percent of trade, including cross-border trade such as shipments from Canada to the US, while exports from higher-cost producers accounted for about 15 percent.

Million Tonnes Product



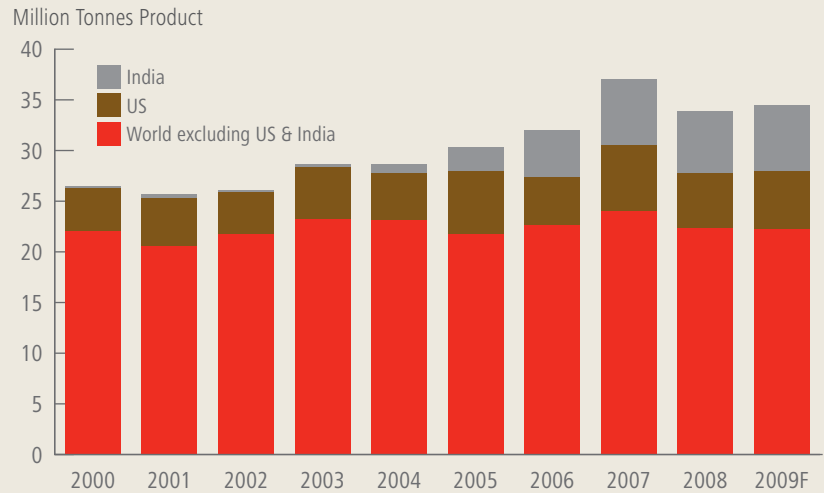
Lower Cost: Middle East, Africa, Russia, Latin America
 Regional: Asia (excluding China), North America, Western Europe
 Higher Cost: Central Europe, Ukraine

Source: Fertecon, PotashCorp

US and India Are Major Urea Importers

The US and India together account for more than one-third of global trade. After a large increase in 2007 and a strong first three quarters of 2008, urea trade in that year declined by nearly 10 percent as the uncertain global economic conditions caused a collapse in demand in the fourth quarter.

Urea imports are expected to increase in 2009 as inventories in both India and the US have been reduced substantially.

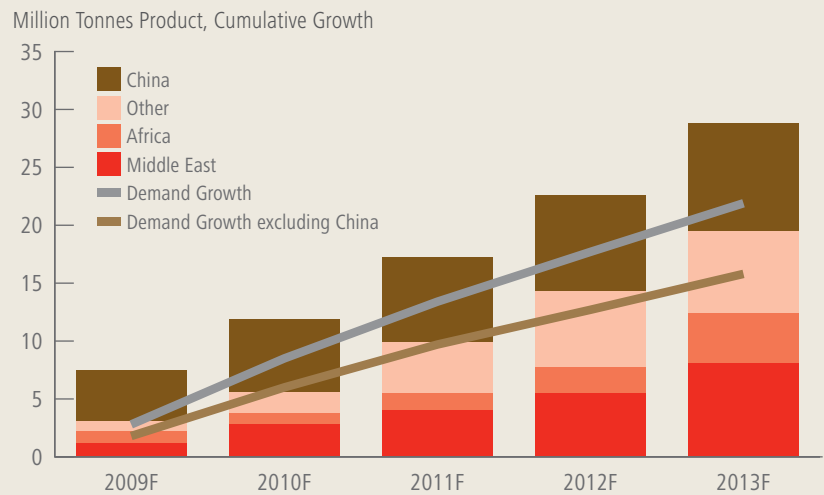


Source: Fertecon, PotashCorp

Relatively Balanced Urea Market Outside of China

World urea capacity additions and demand growth outside of China are expected to be relatively balanced over the next four to five years, even with expected production from new export-based plants in Iran, Oman, Qatar and Egypt.

China may be the wild card as its urea capacity could grow by more than 15 million tonnes in the next five years. However, the primary feedstock for nitrogen is energy, either in the form of natural gas or, as is the case in China, coal. Over the long term, the country will be short of energy, and the motivation for urea capacity increases, if they occur, is more likely to be raising internal consumption and crop yield or replacing current inefficient nitrogen plants.



Source: Fertecon, British Sulphur, PotashCorp

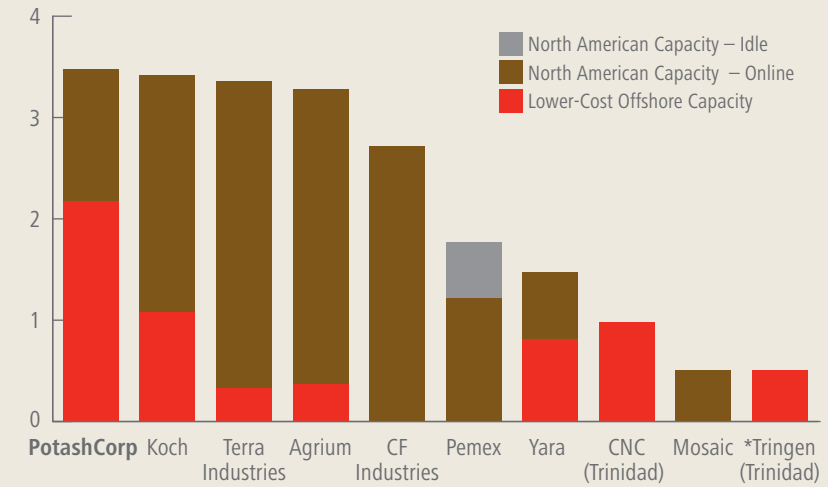
> POTASHCORP AMMONIA CAPACITY

Largest Ammonia Capacity in the Western Hemisphere

Being a lower-cost producer on a delivered basis is key to success in the nitrogen business. PotashCorp has more offshore ammonia capacity, based on lower-cost natural gas, than any other producer in the Western Hemisphere.

Our offshore capacity is based in Trinidad and has a significant freight advantage compared to other nitrogen suppliers, in both cost and timeliness of supply. Sailing days from Trinidad to the US, the world's largest nitrogen importer, are roughly one-quarter of the time from the Arab Gulf.

Million Tonnes Product



* Tringen is the government portion only

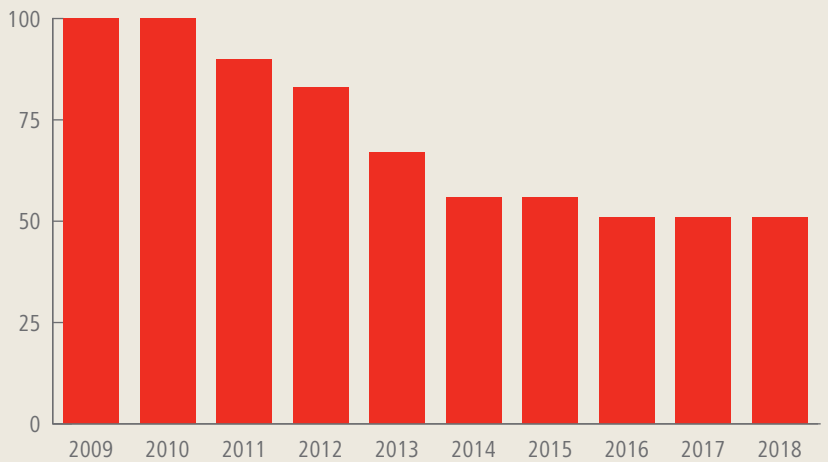
Source: Blue, Johnson & Associates; Fertecon; Agrium; Mosaic; Terra; PotashCorp

> LONG-TERM, LOWER-COST NATURAL GAS CONTRACTS ARE KEY

Lower-Cost Gas Position in Trinidad

Almost two-thirds of our ammonia production is based in Trinidad where we have stable, long-term, lower-cost natural gas contracts indexed to Tampa ammonia prices. This is strategically important, as higher global gas prices typically translate into higher prices for US nitrogen products. As we sell virtually all our Trinidad ammonia into the US, we benefit from receiving higher prices for products manufactured with our lower-cost Trinidad gas.

Percent

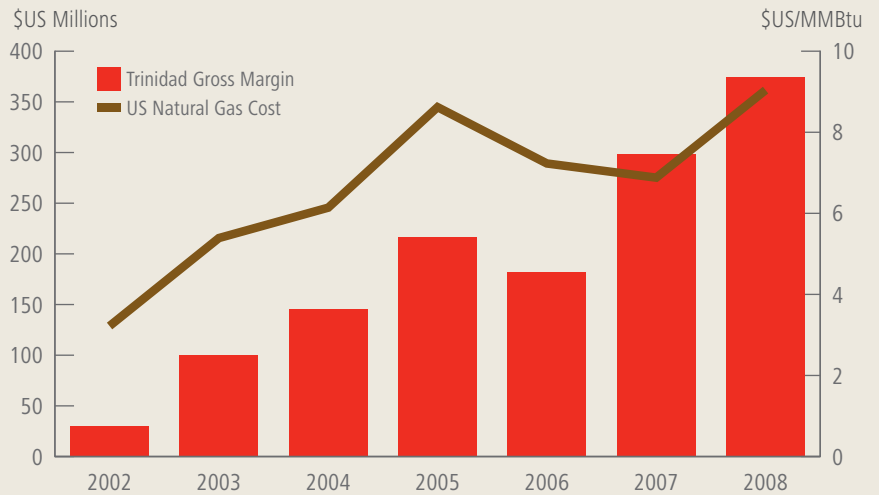


Source: PotashCorp

Rising US Natural Gas Costs Boost Trinidad Margins

Our Trinidad ammonia production is key to the success of our nitrogen business and to our protection from volatile markets. The structure of our long-term natural gas contracts provides for significant margin potential during periods of high nitrogen prices in the US and better protection in a poor market.

Our nitrogen strategy is to maximize our Trinidad production with its advantageous natural gas costs.

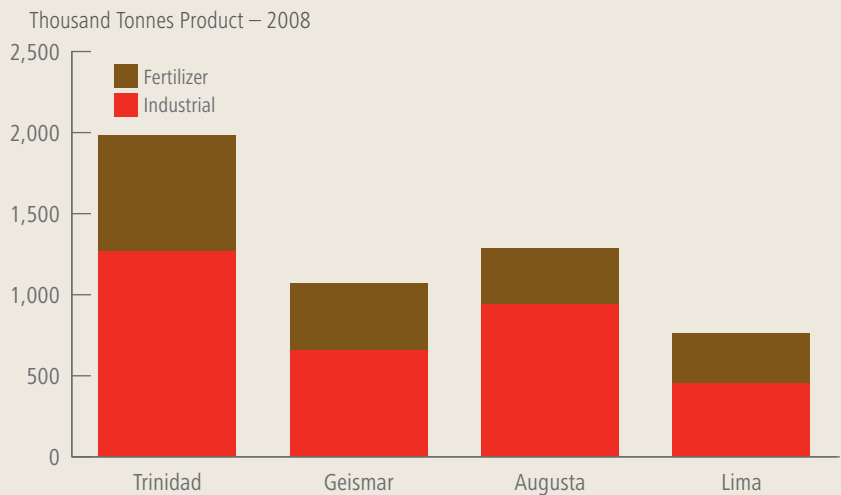


Source: NYMEX, PotashCorp

Target Industrial Markets

More than 80 percent of sales of our US-produced ammonia are made to industrial customers, and we deliver almost half of it by pipeline, which substantially reduces the transportation cost due to our close proximity to our customer base.

As we attempt to reduce volatility in this segment, our focus in the US has been on the typically more stable industrial demand, and in 2008, roughly two-thirds of PotashCorp's total nitrogen sales went to industrial markets.



Source: PotashCorp