

**Potash Corporation of Saskatchewan Inc.**  
**Condensed Consolidated Statements of Financial Position**  
(in millions of US dollars except share amounts)  
(unaudited)

	March 31, 2006	December 31, 2005
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 172.7	\$ 93.9
Accounts receivable	390.0	453.3
Inventories	513.4	522.5
Prepaid expenses and other current assets	68.1	41.1
	<b>1,144.2</b>	<b>1,110.8</b>
Property, plant and equipment	3,327.2	3,262.8
Other assets (Note 2)	989.8	852.8
Intangible assets	33.9	34.5
Goodwill	97.0	97.0
	<b>\$ 5,592.1</b>	<b>\$ 5,357.9</b>
<b>Liabilities</b>		
Current liabilities		
Short-term debt	\$ 604.9	\$ 252.2
Accounts payable and accrued charges	591.4	842.7
Current portion of long-term debt	1.2	1.2
	<b>1,197.5</b>	<b>1,096.1</b>
Long-term debt	1,257.3	1,257.6
Future income tax liability	561.5	543.3
Accrued pension and other post-retirement benefits	213.0	213.9
Accrued environmental costs and asset retirement obligations	100.1	97.3
Other non-current liabilities and deferred credits	15.3	17.2
	<b>3,344.7</b>	<b>3,225.4</b>
<b>Shareholders' Equity</b>		
Share capital	1,383.0	1,379.3
Unlimited authorization of common shares without par value; issued and outstanding 103,672,170 and 103,593,792 at March 31, 2006 and December 31, 2005, respectively		
Contributed surplus	37.3	36.3
Retained earnings	827.1	716.9
	<b>2,247.4</b>	<b>2,132.5</b>
	<b>\$ 5,592.1</b>	<b>\$ 5,357.9</b>

(See Notes to the Condensed Consolidated Financial Statements)

**Potash Corporation of Saskatchewan Inc.**  
**Condensed Consolidated Statements of Operations and Retained Earnings**  
(in millions of US dollars except per-share amounts)  
(unaudited)

	Three Months Ended March 31	
	2006	2005
<b>Sales</b> (Note 6)	\$ 861.6	\$ 921.4
Less: Freight	54.9	67.2
Transportation and distribution	31.2	28.9
Cost of goods sold	572.0	566.8
<b>Gross Margin</b>	<b>203.5</b>	<b>258.5</b>
Selling and administrative	30.8	29.3
Provincial mining and other taxes	14.2	38.4
Foreign exchange gain	(2.4)	(5.9)
Other income (Note 8)	(31.2)	(20.0)
	11.4	41.8
<b>Operating Income</b>	<b>192.1</b>	<b>216.7</b>
<b>Interest Expense</b>	<b>23.2</b>	<b>20.7</b>
<b>Income Before Income Taxes</b>	<b>168.9</b>	<b>196.0</b>
<b>Income Taxes</b> (Note 4)	<b>43.4</b>	<b>64.7</b>
<b>Net Income</b>	<b>125.5</b>	<b>131.3</b>
<b>Retained Earnings, Beginning of Period</b>	<b>716.9</b>	<b>701.5</b>
<b>Dividends</b>	<b>(15.3)</b>	<b>(16.8)</b>
<b>Retained Earnings, End of Period</b>	<b>\$ 827.1</b>	<b>\$ 816.0</b>
<b>Net Income Per Share</b> (Note 5)		
<b>Basic</b>	\$ 1.21	\$ 1.18
<b>Diluted</b>	\$ 1.19	\$ 1.15
<b>Dividends Per Share</b>	\$ 0.15	\$ 0.15

(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 March 31	
	2006	2005
<b>Operating Activities</b>		
Net income	\$ 125.5	\$ 131.3
Adjustments to reconcile net income to cash (used in) provided by operating activities		
Depreciation and amortization	58.8	59.6
Stock-based compensation	1.5	1.0
Loss on disposal of long-term assets	0.3	2.0
Foreign exchange on future income tax	(0.2)	(1.2)
Provision for future income tax	13.9	6.5
Undistributed earnings of equity investees	(12.4)	(13.1)
Other long-term liabilities	2.0	5.2
Subtotal of adjustments	63.9	60.0
<b>Changes in non-cash operating working capital</b>		
Accounts receivable	63.3	(63.5)
Inventories	8.9	(1.7)
Prepaid expenses and other current assets	(27.0)	(6.2)
Accounts payable and accrued charges	(247.1)	1.8
Subtotal of changes in non-cash operating working capital	(201.9)	(69.6)
<b>Cash (used in) provided by operating activities</b>	<b>(12.5)</b>	<b>121.7</b>
<b>Investing Activities</b>		
Additions to property, plant and equipment	(120.0)	(63.0)
Purchase of long-term investments	(126.3)	-
Proceeds from disposal of property, plant and equipment	2.0	4.4
Proceeds from sale of long-term investments	-	5.2
Other assets and intangible assets	(4.5)	3.0
<b>Cash used in investing activities</b>	<b>(248.8)</b>	<b>(50.4)</b>
<b>Cash before financing activities</b>	<b>(261.3)</b>	<b>71.3</b>
<b>Financing Activities</b>		
Repayment of long-term debt obligations	(0.3)	(0.2)
Proceeds from short-term debt obligations	352.7	0.8
Dividends	(15.3)	(16.5)
Repurchase of common shares	-	(82.3)
Issuance of common shares	3.0	47.0
<b>Cash provided by (used in) financing activities</b>	<b>340.1</b>	<b>(51.2)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>78.8</b>	<b>20.1</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>93.9</b>	<b>458.9</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 172.7</b>	<b>\$ 479.0</b>
Supplemental cash flow disclosure		
Interest paid	\$ 16.3	\$ 11.2
Income taxes paid	\$ 142.0	\$ 75.5

(See Notes to the Condensed Consolidated Financial Statements)

**Potash Corporation of Saskatchewan Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2006**  
(in millions of US dollars except share and per-share amounts)  
(unaudited)

## 1. Significant Accounting Policies

With its subsidiaries, Potash Corporation of Saskatchewan Inc. ("PCS") — together known as "PotashCorp" or "the company" except to the extent the context otherwise requires — forms an integrated fertilizer and related industrial and feed products company. The company's accounting policies are in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The accounting policies used in preparing these interim condensed consolidated financial statements are consistent with those used in the preparation of the 2005 annual consolidated financial statements, except as described below.

These 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 2005 annual consolidated financial statements. In management's opinion, the unaudited financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

### *Implicit Variable Interests*

In January 2006, the company adopted Emerging Issues Committee Abstract No. 157, "Implicit Variable Interests Under AcG-15" ("EIC-157"). This EIC addresses whether a company has an implicit variable interest in a VIE or potential VIE when specific conditions exist. An implicit variable interest acts the same as an explicit variable interest except that it involves the absorbing and/or receiving of variability indirectly from the entity (rather than directly). The identification of an implicit variable interest is a matter of judgment that depends on the relevant facts and circumstances. The implementation of this EIC did not have a material impact on the company's condensed consolidated financial statements.

## 2. Other Assets

In February 2006, the company acquired an additional 10.01-percent interest in the ordinary shares of Sinochem Hong Kong Holdings Limited ("Sinofert") for cash consideration of \$126.3. The purchase price was financed by short-term debt. The additional investment increased the company's interest in Sinofert to 20 percent.

In April 2006, the company purchased an additional 220,100 shares of Arab Potash Company Inc. ("APC") for cash consideration of \$3.7. The company's ownership interest in APC is approximately 28 percent.

## 3. Plant Shutdowns - 2003

In 2003, the company indefinitely shut down its Memphis, Tennessee plant and suspended production of certain products at its Geismar, Louisiana facilities due to high US natural gas costs and low product margins. The company recorded certain employee termination costs and asset impairment charges in connection with the shutdowns at that time. Management expects to incur other shutdown-related costs of approximately \$10.3 should applicable facilities be dismantled, and nominal annual expenditures for site security and other maintenance costs. The other shutdown-related costs have not been recorded in the consolidated financial statements as of March 31, 2006. Such costs will be recognized and recorded in the period in which they are incurred.

## 4. Income Taxes

The company's consolidated effective income tax rate for the three month period ended March 31, 2006 is approximately 26 percent (2005 — 33 percent). The reduction in the effective rate for the quarter was due to the receipt of income tax refunds relating to a recent Canadian appeals court decision in the case of a uranium producer. The refunds related to the 2002-2004 taxation years. The company also expects income tax refunds in connection with the 1999-2001 taxation years. These refunds are currently under review and have not been reflected in these interim condensed consolidated financial statements.

In April 2006, the Province of Saskatchewan announced changes to the corporation income tax and the capital tax resource surcharge. The corporate income tax rate will be reduced from 17 percent to 12 percent over the next three years, with a 3 percentage point reduction (to 14 percent) effective July 1, 2006 and further 1 percentage point reductions on July 1, 2007 and July 1, 2008. The capital tax resource surcharge will be reduced from 3.6 percent to 3.0 percent over this same period, with a reduction to 3.3 percent on July 1, 2006, 3.1 percent on July 1, 2007 and 3.0 percent on July 1, 2008. The company would only recognize the benefit of these announced changes should they become substantively enacted.

**Potash Corporation of Saskatchewan Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2006**  
(in millions of US dollars except share and per-share amounts)  
(unaudited)

**5. Net Income Per Share**

Basic net income per share for the quarter is calculated on the weighted average shares issued and outstanding for the three months ended March 31, 2006 of 103,641,000 (2005 — 111,110,000).

Diluted net income per share is calculated based on the weighted average number of shares issued and outstanding during the period. The denominator is: (i) 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 (ii) decreased by the number of shares that the company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period. The weighted average number of shares outstanding for the diluted net income per share calculation for the three months ended March 31, 2006 was 105,825,000 (2005 — 114,265,000).

**6. Segment Information**

The company has three reportable business segments: potash, nitrogen and phosphate. These business 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.

	<b>Three Months Ended March 31, 2006</b>				
	<b>Potash</b>	<b>Nitrogen</b>	<b>Phosphate</b>	<b>All Others</b>	<b>Consolidated</b>
Sales	\$ 225.8	\$ 331.9	\$ 303.9	\$ -	\$ 861.6
Freight	25.0	9.6	20.3	-	54.9
Transportation and distribution	7.4	13.3	10.5	-	31.2
Net sales - third party	193.4	309.0	273.1	-	
Cost of goods sold	102.6	229.6	239.8	-	572.0
Gross margin	90.8	79.4	33.3	-	203.5
Depreciation and amortization	11.8	19.3	24.3	3.4	58.8
Inter-segment sales	4.0	31.9	2.2	-	-

	<b>Three Months Ended March 31, 2005</b>				
	<b>Potash</b>	<b>Nitrogen</b>	<b>Phosphate</b>	<b>All Others</b>	<b>Consolidated</b>
Sales	\$ 352.1	\$ 304.8	\$ 264.5	\$ -	\$ 921.4
Freight	37.2	10.2	19.8	-	67.2
Transportation and distribution	9.1	11.7	8.1	-	28.9
Net sales - third party	305.8	282.9	236.6	-	
Cost of goods sold	129.6	217.6	219.6	-	566.8
Gross margin	176.2	65.3	17.0	-	258.5
Depreciation and amortization	18.1	16.9	22.3	2.3	59.6
Inter-segment sales	2.0	19.8	4.2	-	-

**7. Pension and Other Post-Retirement Expenses**

<b>Defined Benefit Pension Plans</b>	<b>Three Months Ended March 31</b>	
	<b>2006</b>	<b>2005</b>
Service cost	\$ 3.6	\$ 3.6
Interest cost	8.4	7.8
Expected return on plan assets	(9.6)	(8.9)
Net amortization	2.9	1.7
Net expense	\$ 5.3	\$ 4.2

**Potash Corporation of Saskatchewan Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2006**  
(in millions of US dollars except share and per-share amounts)  
(unaudited)

**7. Pension and Other Post-Retirement Expenses (continued)**

<i>Other Post-Retirement Plans</i>	Three Months Ended March 31	
	2006	2005
Service cost	\$ 1.2	\$ 1.4
Interest cost	3.0	3.3
Net amortization	(0.1)	0.4
Net expense	\$ 4.1	\$ 5.1

For the three months ended March 31, 2006, the company contributed \$6.8 to its defined benefit pension plans, \$6.0 to its defined contribution pension plans and \$2.1 to its other post-retirement plans. Total 2006 contributions to these plans are not expected to differ significantly from the amounts previously disclosed in the consolidated financial statements for the year ended December 31, 2005.

**8. Other Income**

	Three Months Ended March 31	
	2006	2005
Share of earnings of equity investees	\$ 12.4	\$ 13.1
Dividend income	9.1	3.1
Other	9.7	3.8
	\$ 31.2	\$ 20.0

**9. Comparative Figures**

Certain of the prior period's figures have been reclassified to conform with the current period's presentation.

**Potash Corporation of Saskatchewan Inc.**  
**Selected Operating and Revenue Data**  
(unaudited)

	Three Months Ended March 31	
	2006	2005
<b>Potash Operating Data</b>		
Production (KCl Tonnes - thousands)	1,295	2,389
Shutdown weeks	31.7	-
Sales (tonnes - thousands)		
North America	527	922
Offshore	732	1,401
	<b>1,259</b>	<b>2,323</b>
<b>Potash Net Sales</b>		
(US \$ millions)		
Sales	\$225.8	\$352.1
Less: Freight	25.0	37.2
Transportation and distribution	7.4	9.1
Net Sales	<b>\$193.4</b>	<b>\$305.8</b>
North America	<b>\$91.9</b>	\$128.9
Offshore	<b>97.2</b>	172.8
Potash Subtotal	<b>189.1</b>	301.7
Miscellaneous	4.3	4.1
	<b>\$193.4</b>	<b>\$305.8</b>
<b>Potash Average Net Sales Price per MT</b>		
North America	<b>\$174.31</b>	\$139.86
Offshore	<b>\$132.90</b>	\$123.35
	<b>\$150.24</b>	\$129.90
<b>Phosphate Operating Data</b>		
Production (P <sub>2</sub> O <sub>5</sub> Tonnes - thousands)	513	502
P <sub>2</sub> O <sub>5</sub> Operating Rate	86%	80%
Sales (tonnes - thousands)		
Fertilizer - Liquid Phosphates	260	250
Fertilizer - Solid Phosphates	377	327
Feed	165	230
Industrial	173	155
	<b>975</b>	<b>962</b>

**Potash Corporation of Saskatchewan Inc.**  
**Selected Operating and Revenue Data**  
(unaudited)

	Three Months Ended March 31	
	2006	2005
<b>Phosphate Net Sales</b>		
(US \$ millions)		
Sales	<b>\$303.9</b>	\$264.5
Less: Freight	<b>20.3</b>	19.8
Transportation and distribution	<b>10.5</b>	8.1
Net Sales	<b>\$273.1</b>	\$236.6
<hr/>		
Fertilizer - Liquid Phosphates	<b>\$61.9</b>	\$52.6
Fertilizer - Solid Phosphates	<b>93.1</b>	71.3
Feed	<b>52.3</b>	55.1
Industrial	<b>63.2</b>	54.7
Miscellaneous	<b>2.6</b>	2.9
	<b>\$273.1</b>	\$236.6
<b>Phosphate Average Net Sales Price per MT</b>		
Fertilizer - Liquid Phosphates	<b>\$238.13</b>	\$210.61
Fertilizer - Solid Phosphates	<b>\$246.86</b>	\$217.89
Feed	<b>\$317.20</b>	\$239.25
Industrial	<b>\$364.04</b>	\$353.44
	<b>\$279.94</b>	\$245.87
<b>Nitrogen Operating Data</b>		
Production (N Tonnes - thousands)	<b>559</b>	638
Average Natural Gas Cost per MMBtu	<b>\$4.34</b>	\$3.72
Sales (tonnes - thousands)		
Manufactured Product		
Ammonia	<b>364</b>	406
Urea	<b>281</b>	359
Nitrogen solutions/Nitric acid/Ammonium nitrate	<b>382</b>	450
Manufactured Product	<b>1,027</b>	1,215
Purchased Product	<b>54</b>	93
	<b>1,081</b>	1,308
Fertilizer sales tonnes	<b>322</b>	463
Feed/Industrial sales tonnes	<b>759</b>	845
	<b>1,081</b>	1,308

**Potash Corporation of Saskatchewan Inc.**  
**Selected Operating and Revenue Data**  
(unaudited)

	Three Months Ended March 31	
	2006	2005
<b>Nitrogen Net Sales</b>		
(US \$ millions)		
Sales	\$331.9	\$304.8
Less: Freight	9.6	10.2
Transportation and distribution	13.3	11.7
Net Sales	<b>\$309.0</b>	<b>\$282.9</b>
Manufactured Product		
Ammonia	\$123.0	\$98.9
Urea	81.4	90.3
Nitrogen solutions/Nitric acid/Ammonium nitrate	81.0	65.2
Miscellaneous	6.6	5.3
Net Sales Manufactured Product	<b>292.0</b>	259.7
Net Sales Purchased Product	<b>17.0</b>	23.2
	<b>\$309.0</b>	<b>\$282.9</b>
Fertilizer net sales	<b>\$88.1</b>	\$105.8
Feed/Industrial net sales	<b>220.9</b>	177.1
	<b>\$309.0</b>	<b>\$282.9</b>
<b>Nitrogen Average Net Sales Price per MT</b>		
Ammonia	<b>\$337.69</b>	\$243.78
Urea	<b>\$289.81</b>	\$251.43
Nitrogen solutions/Nitric acid/Ammonium nitrate	<b>\$211.96</b>	\$144.76
Manufactured Product	<b>\$284.19</b>	\$213.70
Purchased Product	<b>\$316.85</b>	\$250.68
	<b>\$285.81</b>	\$216.31
Fertilizer average price per MT	<b>\$273.66</b>	\$228.85
Feed/Industrial average price per MT	<b>\$290.97</b>	\$209.45
	<b>\$285.81</b>	\$216.31
<b>Exchange Rate (Cdn\$/US\$)</b>		
	<b>2006</b>	<b>2005</b>
December 31		1.1659
March 31	<b>1.1671</b>	1.2096
First-quarter average conversion rate	<b>1.1557</b>	1.2280

**Potash Corporation of Saskatchewan Inc.**  
**Selected Non-GAAP Financial Measures and Reconciliations**  
(in millions of US dollars)  
(unaudited)

The following information is included for convenience only. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles ("GAAP"). EBITDA, cash flow prior to working capital changes and free cash flow are not measures of financial performance (nor do they have standardized meanings) under either Canadian GAAP or US GAAP. In evaluating these measures, investors should consider that the methodology applied in calculating such measures may differ among companies and analysts.

The company uses both GAAP and certain non-GAAP measures to assess performance. The company's management believes these non-GAAP measures provide useful supplemental information to investors in order that they may evaluate PotashCorp's financial performance using the same measures as management. PotashCorp's management believes that, as a result, the investor is afforded greater transparency in assessing the financial performance of the company. These non-GAAP financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with GAAP.

**A. EBITDA**

Set forth below is a reconciliation of "EBITDA" to net income, the most directly comparable financial measure calculated and presented in accordance with Canadian GAAP.

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
<b>Net income</b>	\$ 125.5	\$ 131.3
Income taxes	43.4	64.7
Interest expense	23.2	20.7
Depreciation and amortization	58.8	59.6
<b>EBITDA</b>	<b>\$ 250.9</b>	<b>\$ 276.3</b>

EBITDA is calculated as earnings before interest, income taxes, depreciation and amortization. PotashCorp uses EBITDA as a supplemental financial measure of its operational performance. Management believes EBITDA to be an important measure as it excludes the effects of items which primarily reflect the impact of long-term investment decisions, rather than the performance of the company's day-to-day operations. As compared to net income according to GAAP, this measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the company's business. Management evaluates such items through other financial measures such as capital expenditures and cash flow provided by operating activities. The company believes that this measurement is useful to measure a company's ability to service debt and to meet other payment obligations or as a valuation measurement.

**Potash Corporation of Saskatchewan Inc.**  
**Selected Non-GAAP Financial Measures and Reconciliations**  
(in millions of US dollars)  
(unaudited)

**B. CASH FLOW**

Set forth below is a reconciliation of “cash flow prior to working capital changes” and “free cash flow” to cash provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with Canadian GAAP.

	Three Months Ended March 31	
	2006	2005
<b>Cash flow prior to working capital changes <sup>1</sup></b>	\$ 189.4	\$ 191.3
Changes in non-cash operating working capital		
Accounts receivable	63.3	(63.5)
Inventories	8.9	(1.7)
Prepaid expenses and other current assets	(27.0)	(6.2)
Accounts payable and accrued charges	(247.1)	1.8
<b>Changes in non-cash operating working capital</b>	<b>(201.9)</b>	<b>(69.6)</b>
<b>Cash (used in) provided by operating activities</b>	<b>\$ (12.5)</b>	<b>\$ 121.7</b>
<b>Free cash flow <sup>2</sup></b>	<b>\$ 64.9</b>	<b>\$ 131.3</b>
Additions to property, plant and equipment	120.0	63.0
Other assets and intangible assets	4.5	(3.0)
Changes in non-cash operating working capital	(201.9)	(69.6)
<b>Cash (used in) provided by operating activities</b>	<b>\$ (12.5)</b>	<b>\$ 121.7</b>

<sup>1</sup> The company uses cash flow prior to working capital changes as a supplemental financial measure in its evaluation of liquidity. Management believes that adjusting principally for the swings in non-cash working capital items due to seasonality assists management in making long-term liquidity assessments. The company also believes that this measurement is useful as a measure of liquidity or as a valuation measurement.

<sup>2</sup> The company uses free cash flow as a supplemental financial measure in its evaluation of liquidity and financial strength. Management believes that adjusting principally for the swings in non-cash operating working capital items due to seasonality, additions to property, plant and equipment, and changes to other assets assists management in the long-term assessment of liquidity and financial strength. The company also believes that this measurement is useful as an indicator of the company’s ability to service its debt, meet other payment obligations and make strategic investments. Readers should be aware that free cash flow does not represent residual cash flow available for discretionary expenditures.

Certain of the prior period's figures have been reclassified to conform with the current period's presentation.