1. ORGANIZATION AND NATURE OF BUSINESS

The Mosaic Company (***"Mosaic"***, and individually or in any combination with its consolidated subsidiaries, ***"we"***, ***"us"***, ***"our"***, or the ***"Company"***) was created to serve as the parent company of the business that was formed through the business combination (***"Combination"***) of IMC Global Inc. (***"IMC"*** or ***"Mosaic Global Holdings"***) and the Cargill Crop Nutrition fertilizer businesses (***"CCN"***) of Cargill, Incorporated and its subsidiaries (collectively, ***"Cargill"***) on October 22, 2004.

We produce and market concentrated phosphate and potash crop nutrients. We conduct our business through wholly and majority owned subsidiaries as well as businesses in which we own less than a majority or a non-controlling interest, including consolidated variable interest entities and investments accounted for by the equity method. We are organized into the following business segments:

Our **Phosphates** business segment owns and operates mines and production facilities in Florida which produce phosphate fertilizer and phosphate-based animal feed ingredients, and processing plants in Louisiana which produce phosphate fertilizer. Our Phosphates segment's results include North American distribution activities. Our consolidated results also include Phosphate Chemicals Export Association, Inc. (***"PhosChem"***), a U.S. Webb-Pomerene Act association of phosphate producers which exports phosphate fertilizer products around the world for us and PhosChem's other member. Our share of PhosChem's sales of dry phosphate fertilizer products is approximately 85% for the twelve months ended May 31, 2008.

Our **Potash** business segment owns and operates potash mines and production facilities in Canada and the U.S. which produce potash-based fertilizer, animal feed ingredients and industrial products. Potash sales include domestic and international sales. We are a member of Canpotex, Limited (***"Canpotex"***), an export association of Canadian potash producers through which we sell our Canadian potash internationally.

Our **Offshore** business segment consists of sales offices, fertilizer blending and bagging facilities, port terminals and warehouses in several key international countries, including Brazil. In addition, we own or have strategic investments in production facilities in Brazil and in a number of other countries. Our Offshore segment serves as a market for our Phosphates and Potash segments but also purchases and markets products from other suppliers worldwide.

During the second quarter of fiscal 2008, we completed a strategic review in which we identified the Nitrogen business as non-core to our ongoing business. Therefore, based primarily on how our chief operating decision makers view and evaluate the business, we have eliminated the Nitrogen business as a separate reportable segment. The results of the Nitrogen business are now included as part of Corporate, Eliminations and Other. Accordingly, the prior period comparable results have been updated to reflect our Nitrogen business as a part of the Corporate, Eliminations and Other segment for comparability purposes.

Intersegment sales are eliminated within the Corporate, Eliminations and Other segment. See Note 24 to our Consolidated Financial Statements for segment results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation and Basis of Consolidation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Throughout the Notes to Consolidated Financial Statements, amounts in tables are in millions of dollars except for per share data and as otherwise designated. References in this report to a particular fiscal year are to the twelve months ended May 31 of that year.

The accompanying Consolidated Financial Statements include the accounts of Mosaic and its majority owned subsidiaries, as well as the accounts of certain variable interest entities (***"VIEs"***) for which we are the primary beneficiary as described in Note 13. Certain investments in companies where we do not have control but have the ability to exercise significant influence are accounted for by the equity method. Certain investments where we are unable to exercise significant influence over operating and financial decisions are accounted for under the cost method.

We own 33.09% of Fertifos S.A., a Brazilian holding company which owns 56.25% of Fosfertil S.A., a publicly traded phosphate and nitrogen company in Brazil. Our Consolidated Financial Statements include the equity in net earnings for this investee for the reporting periods for which Fosfertil has most recently made its financial information publicly available in Brazil, which results in a two-month lag in the reporting of our interest in the earnings of Fertifos in our Consolidated Financial Statements.

Accounting Estimates

Preparation of the Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The more significant estimates made by management are the determination of the fair value of share-based awards, the valuation of goodwill, the useful lives and net realizable values of long-lived assets, environmental and reclamation liabilities, the costs of our employee benefit obligations for pension plans and postretirement benefits, income tax related accounts, including the valuation allowance against deferred income tax assets, Canadian resource tax and royalties and accruals for pending legal and environmental matters. Actual results could differ from these estimates.

Revenue Recognition

Revenue on North American sales is recognized when the product is delivered to the customer or when the risks and rewards of ownership are otherwise transferred to the customer. Revenue on Offshore sales and North American export sales is recognized upon the transfer of title to the customer and when the price is fixed and determinable. For certain export shipments, transfer of title occurs outside the U.S. or the country in which the shipment originated. Shipping and handling costs are included as a component of cost of goods sold. Sales to wholesalers and retailers (but not to importers) in India are subject to a selling price cap and are eligible for an Indian government subsidy which reimburses importers for the difference between the market price of diammonium phosphate fertilizer (***"DAP"***) and the capped price. We record the government subsidy at the time the underlying eligible sale is made which is when the price of DAP is both fixed and determinable.

We are party to a marketing agreement with Saskferco Products Inc. (***"Saskferco"***). In connection with this agreement, we perform the sales and marketing services and receive an agency fee. In accordance with Emerging Issues Task Force (***"EITF"***) Issue 99-19, *"Reporting Revenue Gross as a Principal versus Net as an Agent,"* we are acting as an agent under this marketing agreement. As a result, we are recording only our agency fee.

Income Taxes

In preparing our Consolidated Financial Statements, we utilize the asset and liability approach in accounting for income taxes. We recognize income taxes in each of the jurisdictions in which we operate. For each jurisdiction, we estimate the actual amount of taxes currently payable or receivable, as well as deferred income tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related tax benefits will not be realized. In determining whether a valuation allowance is required to be recorded, we apply the principles enumerated in Statement of Financial Accounting Standards (***"SFAS"***) No. 109, *"Accounting for Income Taxes,"* (***"SFAS 109"***), in the U.S. and each foreign jurisdiction in which a deferred income tax asset is recorded. We consider tax planning strategies, scheduled reversals of temporary differences and factor in the expiration period of our tax carryforwards. In addition, as part of the process of recording the Combination, we have made certain adjustments to valuation allowances related to the businesses of IMC (Purchase Accounting Valuation Allowances). If during an accounting period we determine that we will not realize all or a portion of our deferred income tax assets, we will increase our valuation allowances with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related tax benefits, we will reduce valuation allowances with either (i) a reduction to goodwill, if the reduction relates to Purchase Accounting Valuation Allowances, or (ii) in all other cases, with a reduction to income tax expense.

We recognize excess tax benefits associated with stock-based compensation in stockholders' equity only when realized. When assessing whether excess tax benefits relating to stock-based compensation have been realized, we follow the with-and-without approach excluding any indirect effects of the excess tax deductions. Under this approach, excess tax benefits related to stock-based compensation are not deemed to be realized until after the utilization of all other applicable tax benefits available to us.

We adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (*"FIN 48"*) on June 1, 2007. Under FIN 48, the impact of an uncertain tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Canadian Resource Taxes and Royalties

We pay Canadian resource taxes consisting of the Potash Production Tax and capital taxes. The Potash Production Tax is a Saskatchewan provincial tax on potash production and consists of a base payment and a profits tax. We also pay the greater of (i) a capital tax on the paid-up capital of our subsidiaries that own and operate our Saskatchewan potash mines or (ii) a percentage of the value of resource sales from our Saskatchewan mines. We also pay capital tax in other Canadian provinces. In addition to the Canadian resource taxes, royalties are payable to the mineral owners in respect of potash reserves or production of potash. Our Canadian resource tax and royalty expenses were $361.8 million, $154.1 million and $118.4 million for fiscal 2008, 2007 and 2006 respectively. These resource taxes and royalties are recorded in our cost of goods sold.

Foreign Currency Translation

The Company's functional currency is the U.S. dollar; however, for operations located in Canada, Brazil and Thailand, the functional currency is the local currency. Assets and liabilities of these foreign operations are translated to U.S. dollars at exchange rates in effect at the balance sheet date, while income statement accounts and cash flows are translated to U.S. dollars at the average exchange rates for the period. For these operations, translation gains and losses are recorded as a component of accumulated other comprehensive income in stockholders' equity until the foreign entity is sold or liquidated. The effect on the Consolidated Statements of Operations of transaction gains and losses is presented separately in that statement. These transaction gains and losses result from transactions that are denominated in a currency that is other than the functional currency of the operation.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of 90 days or less, and other highly liquid investments that are payable on demand such as money market accounts, certain certificates of deposit and repurchase agreements. The carrying amount of such cash equivalents approximates their fair value due to the short-term and highly liquid nature of these instruments.

Concentration of Credit Risk

In the U.S., we sell our products to manufacturers, distributors and retailers primarily in the Midwest and Southeast. Internationally, our phosphate and potash products are sold primarily through two North American export associations. A concentration of credit risk arises from our accounts receivable associated with the international sales of potash product through Canpotex. We consider our concentration risk related to the Canpotex receivable to be mitigated by their credit policy. Canpotex's credit policy requires the underlying receivables to be substantially insured or secured by letters of credit. At May 31, 2008 and 2007, $205.4 million and $58.0 million, respectively, of accounts receivable was due from Canpotex.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are recorded at face amount less an allowance for doubtful accounts. On a regular basis, we evaluate outstanding accounts receivable and establish the allowance for doubtful accounts based on a combination of specific customer circumstances as well as credit conditions and a history of write-offs and subsequent collections.

Included in other assets are long-term accounts receivable of $33.8 million and $30.5 million at May 31, 2008 and 2007, respectively. In accordance with our allowance for doubtful accounts policy, we have recorded allowances against these long-term accounts receivable of $17.8 million and $14.8 million, respectively.

Inventories

Inventories of raw materials, work-in-process products, finished goods and operating materials and supplies are stated at the lower of cost or market. Costs for substantially all finished goods and work-in-process inventories include materials, production labor and overhead and are determined using the weighted average cost basis. Cost for substantially all raw materials is also determined using the weighted average cost basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Costs of significant assets include capitalized interest incurred during the construction and development period. Repairs and maintenance costs are expensed when incurred.

Depletion expenses for mining operations, including mineral reserves, are generally determined using the units-of-production method based on estimates of recoverable reserves. Depreciation is computed principally using the straight-line method over the following useful lives: machinery and equipment 3 to 25 years, and buildings and leasehold improvements 3 to 40 years.

We estimate useful lives based on experience and current technology. These estimates may be extended through sustaining capital programs. Factors affecting the fair value of our assets may also affect the estimated useful lives of our assets and these factors can change. Therefore, we periodically review the estimated remaining lives of our facilities and other significant assets and adjust our depreciation rates prospectively where appropriate.

Leases

Leases are classified as either operating leases or capital leases in accordance with SFAS No. 13, *"Accounting for Leases,"* as amended by subsequent standards. Assets acquired under capital leases are depreciated on the same basis as property, plant and equipment. Rental payments are expensed on a straight-line basis. Leasehold improvements are depreciated over the depreciable lives of the corresponding fixed assets or the related lease term, whichever is shorter.

Investments

Except as discussed in Note 13 with respect to variable interest entities, investments in the common stock of affiliated companies in which our ownership interest is 50% or less and in which we exercise significant influence over operating and financial policies are accounted for using the equity method after eliminating the effects of any material intercompany transactions. Other investments are accounted for at cost.

Recoverability of Long-Lived Assets

Long-lived assets, including property, plant and equipment, capitalized software costs, and investments are accounted for in accordance with SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets."* A long-lived asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of a long-lived asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. If it is determined that an impairment loss has occurred, the loss is measured as the amount by which the carrying amount of the long-lived asset group exceeds its fair value.

Goodwill

Goodwill is carried at cost, not amortized, and represents the excess of the purchase price and related costs over the fair value assigned to the net identifiable assets of a business acquired. In accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets,"* we test goodwill for impairment at the reporting unit level on an annual basis or upon the occurrence of events that may indicate possible impairment. The first step of the impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill and other indefinite-lived intangible assets. If the fair value is less than the carrying amount, the second step determines the amount of the impairment by comparing the implied fair value of the goodwill with the carrying amount of that goodwill. An impairment charge is recognized only when the calculated fair value of a reporting unit, including goodwill and indefinite-lived intangible assets, is less than its carrying amount. We have established the second quarter of our fiscal year as the period for our annual test for impairment of goodwill and the test resulted in no impairment in the periods presented.

Environmental Costs

Accruals for estimated costs are recorded when environmental remediation efforts are probable and the costs can be reasonably estimated. In determining the accruals, we use the most current information available, including similar past experiences, available technology, consultant evaluations, regulations in effect, the timing of remediation and cost-sharing arrangements.

Asset Retirement Obligations

SFAS No. 143, *"Accounting for Asset Retirement Obligations,"* (***"SFAS 143"***) requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset and depreciated on a straight-line basis over the remaining estimated useful life of the related asset. The liability is adjusted in subsequent periods through accretion expense. Accretion expense represents the increase in the present value of the liability due to the passage of time. Such depreciation and accretion expenses are included in cost of goods sold.

Litigation

We are involved from time to time in claims and legal actions incidental to our operations, both as plaintiff and defendant. We have established what we currently believe to be adequate accruals for pending legal matters. These accruals are established as part of an ongoing worldwide assessment of claims and legal actions that takes into consideration such items as advice of legal counsel, individual developments in court proceedings, changes in the law, changes in business focus, changes in the litigation environment, changes in opponent strategy and tactics, new developments as a result of ongoing discovery, and past experience in defending and settling similar claims. The litigation accruals at any time reflect updated assessments of the then-existing claims and legal actions. The final outcome or potential settlement of litigation matters could differ materially from the accruals which we have established. We accrue legal fees as they are incurred. For significant individual cases, we accrue anticipated legal costs.

Pension and Other Post-Retirement Benefits

Mosaic offers a number of benefit plans that provide pension and other benefits to qualified employees. These plans include defined benefit pension plans, supplemental pension plans, defined contribution plans and other post-retirement benefit plans.

We accrue, in accordance with the recognition provisions of SFAS No. 158, *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,"* (***"SFAS 158"***), the funded status of our plans, which is representative of our obligations under employee benefit plans and the related costs, net of plan assets measured at fair value. The cost of pensions and other retirement benefits earned by employees is generally determined with the assistance of an actuary using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected healthcare costs.

Share-Based Compensation

Effective June 1, 2006, we adopted the provisions of, and account for stock-based compensation in accordance with, SFAS No. 123 (R) *"Share-Based Payment"* (***"SFAS 123R"***) using the modified prospective transition method. SFAS 123R requires an entity to measure the cost of employees' services received in exchange for an award of equity instruments based on grant-date fair value of the award, with the cost to be recognized over the period during which the employee is required to provide service in exchange for the award. The majority of granted awards are stock options that vest annually in equal amounts over a three-year period, and all stock options have an exercise price equal to the fair market value of our common stock on the date of grant. We recognize compensation expense for awards on a straight-line basis over the requisite service period. Estimated expense recognized for the options granted prior to, but not vested as of June 1, 2006, was calculated based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123, *"Accounting for Stock-Based Compensation."*

Derivative and Hedging Activities

We account for derivatives in accordance with SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* as amended (***"SFAS 133"***), which requires us to record all derivatives on the Consolidated Balance Sheet at fair value. Changes in the fair value of derivatives are immediately recognized in earnings, unless they meet the hedging criteria of SFAS 133. The criteria used to determine if hedge accounting treatment is appropriate are: (i) the designation of the hedge to an underlying exposure; (ii) the hedging transaction has the effect of reducing the overall risk; and (iii) a high degree of correlation between changes in the value of the derivative instrument and the underlying obligation. On the date a derivative contract is entered into, if we plan to account for the derivative as a hedge under SFAS 133, we designate the derivative as either: (a) a hedge of a recognized asset or liability or an unrecognized firm commitment (fair value hedge); (b) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). We formally document our hedge relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking the hedge transaction at the inception of the hedge, if we plan to account for the derivative as a hedge under SFAS 133. If it is determined that a derivative ceases to be an effective hedge or that the anticipated transaction is no longer likely to occur, we will discontinue hedge accounting.

Reclassifications

Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation.

We reclassified certain amounts from building and leasehold improvements and land to mineral properties and rights for the May 31, 2007 balances. The balances were reclassified to correct errors in Note 6 of our May 31, 2007 Notes to Consolidated Financial Statements which were caused by account mappings in our new enterprise resource planning system. In Note 6 of our May 31, 2007 Notes to

Consolidated Financial Statements, the amounts reclassified from building and leasehold improvements and land to mineral properties and rights were $582.1 million and $13.4 million, respectively. The reclassifications were deemed immaterial to the financial statements as they had no effect on net earnings, total stockholders' equity, total assets or cash flows.

3. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	May 31,	
(in millions)	2008	2007
Receivables		
Trade	$ 871.2	$475.5
Non-trade	112.1	48.7
	983.3	524.2
Less: Allowance for doubtful accounts	10.8	7.9
	$ 972.5	$516.3
Inventories		
Raw materials	$ 74.0	$ 9.7
Work in process	255.8	138.8
Finished goods	940.4	529.0
Operating materials and supplies	80.7	109.9
	$1,350.9	$787.4
Accrued liabilities		
Non-income taxes	$ 178.5	$ 83.3
Payroll and employee benefits	104.2	80.1
Asset retirement obligations	85.1	77.6
Customer prepayments	172.8	63.4
Other	245.3	190.2
	$ 785.9	$494.6
Other noncurrent liabilities		
Asset retirement obligations	$ 430.5	$463.9
Accrued pension and postretirement benefits	142.9	182.2
Unrecognized tax benefits	202.5	–
Deferred revenue on out of market contracts	70.9	87.2
Other	141.1	141.9
	$ 987.9	$875.2

Interest expense, net was comprised of the following in fiscal 2008, 2007 and 2006:

	Years ended May 31,		
(in millions)	2008	2007	2006
Interest expense	$124.0	$171.5	$166.5
Interest income	(33.5)	(21.9)	(13.3)
Net interest expense	$ 90.5	$149.6	$153.2

4. RECENTLY ISSUED ACCOUNTING GUIDANCE

In June 2006, the Financial Accounting Standards Board (***"FASB"***) issued FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first, evaluating whether a tax position has met a more-likely-than-not recognition threshold, and second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on de-recognition, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective for the Company on June 1, 2007. The adoption of FIN 48 and its effects are described in Note 14.

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements"* (***"SFAS 157"***). SFAS 157 defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and requires enhanced disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position FAS 157-2, *"Effective Date of FASB Statement No. 157"* (***"FSP FAS 157-2"***). FSP FAS 157-2 defers implementation of SFAS 157 for certain nonfinancial assets and nonfinancial liabilities, including but not limited to our asset retirement obligations. SFAS 157 is effective for the Company on June 1, 2008. The aspects that have been deferred by FSP FAS 157-2 will be effective for the Company beginning June 1, 2009. We do not expect that the adoption of SFAS 157 and the provisions of FSP FAS 157-2 will have a material effect on our Consolidated Financial Statements.

In September 2006, the FASB issued SFAS 158. SFAS 158 requires the recognition of the funded status of pension and other postretirement benefit plans on the balance sheet. The overfunded or underfunded status is required to be recognized as an asset or liability on the balance sheet with changes other than the expense occurring during the current year reflected through the comprehensive income portion of equity. SFAS 158 also requires the measurement of the funded status of a plan to match the date of our fiscal year-end financial statements, eliminating the use of earlier measurement dates previously permissible. We applied the recognition provision of SFAS 158 as of May 31, 2007. We are adopting the measurement provision of SFAS 158 as of June 1, 2008 and anticipate a retained earnings impact of approximately $1.0 million.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of SFAS No. 115"* (***"SFAS 159"***). SFAS 159 expands opportunities to use fair value measurement in financial reporting by permitting entities to choose to measure many eligible financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings. The Company does not intend to elect the fair value option for assets and liabilities held upon its adoption of SFAS 159 effective June 1, 2008. Therefore, SFAS 159 will not have an impact on the Company's results of operations, financial position or liquidity.

In April 2007, the FASB issued FASB Staff Position No. FIN 39-1, *"Amendment of FASB Interpretation No. 39"* (***"FIN 39-1"***). FIN 39-1 requires entities that are party to a master netting arrangement to offset the receivable or payable recognized upon payment or receipt of cash collateral against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement in accordance with FASB Interpretation No. 39. Entities are required to recognize the effects of applying FIN 39-1 as a change in accounting principle through retrospective application for all financial statements presented unless it is impracticable to do so. The guidance provided by FIN 39-1 is effective for us on June 1, 2008. We do not expect FIN 39-1 to have a material effect on our Consolidated Financial Statements.

In May 2007, the FASB issued FASB Staff Position No. FIN 48-1, *"Definition of Settlement in FASB Interpretation No. 48"* (***"FIN 48-1"***). FIN 48-1 provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The guidance became effective for the Company upon the initial adoption of FIN 48 on June 1, 2007. The adoption of FIN 48-1 and its effects are described in Note 14.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *"Business Combinations"* (***"SFAS 141R"***), which replaces FASB Statement No. 141, *"Business Combinations"*. SFAS 141R expands the definition of a business combination and requires the fair value of the purchase price of an acquisition, including the issuance of equity securities, to be determined on the acquisition date. SFAS 141R also requires that all assets, liabilities, contingent consideration, and contingencies of an acquired business be recorded at fair value at the acquisition date. In addition, SFAS 141R requires that acquisition costs generally be expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. SFAS 141R is effective for the Company's fiscal year beginning June 1, 2009, with early adoption prohibited. The Company is in the process of evaluating the impact of adoption of SFAS 141R.

In December 2007, the FASB issued SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51"* (***"SFAS 160"***). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. In addition, SFAS 160 provides reporting requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for the Company on June 1, 2009. We are currently reviewing SFAS 160 to determine the impact of its adoption to the Company.

In December 2007, the SEC issued Staff Accounting Bulletin No. 110 (***"SAB 110"***). SAB 110 amends and replaces Question 6 of Section D.2 of Topic 14, *Share-Based Payment* of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the "simplified" method in developing an estimate of the expected term of "plain vanilla" share options and allows usage of the "simplified" method for share option grants prior to December 31, 2007. SAB 110 allows public companies which do not have historically sufficient experience to provide a reasonable estimate to continue use of the "simplified" method for estimating the expected term of "plain vanilla" share option grants after December 31, 2007. We currently use the "simplified" method to estimate the expected term for share option grants as we do not have enough historical experience to provide a reasonable estimate. We will continue to use the "simplified" method until we have enough historical experience to provide a reasonable estimate of expected term in accordance with SAB 110. SAB 110 was effective for the Company on January 1, 2008.

In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133"* (***"SFAS 161"***). SFAS 161 intends to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 also requires disclosure about an entity's strategy and objectives for using derivatives, the fair values of derivative instruments and their related gains and losses. SFAS 161 is effective for the Company beginning December 1, 2008. We are currently reviewing SFAS 161 to determine the impact of its adoption to the Company.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	May 31,	
(in millions)	2008	2007
Land	$ 176.7	$ 168.8
Mineral properties and rights	2,475.2	2,394.7
Buildings and leasehold improvements	783.5	665.4
Machinery and equipment	2,926.7	2,586.2
Construction in-progress	279.8	263.9
	6,641.9	6,079.0
Less: accumulated depreciation and depletion	1,993.9	1,629.6
	$4,648.0	$4,449.4

Depreciation and depletion expense was $358.1 million, $329.4 million and $324.1 million for fiscal 2008, 2007 and 2006, respectively. In 2006, there was an additional $261.8 million of depreciation expense included within the restructuring charge. Capitalized interest on major construction projects was $11.8 million, $7.7 million and $6.4 million in fiscal 2008, 2007 and 2006, respectively.

6. EARNINGS PER SHARE

The numerator for diluted earnings (loss) per share (***"EPS"***) is net earnings (loss), unless the effect of the assumed conversion of Mosaic preferred stock is anti-dilutive, in which case earnings (loss) available for common stockholders is used.

The denominator for basic EPS is the weighted-average number of shares outstanding during the period. The denominator for diluted EPS includes the weighted average number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued unless the shares are anti-dilutive. The following is a reconciliation of the numerator and denominator for the basic and diluted earnings per share computations:

	Years Ended May 31,		
(in millions)	2008	2007	2006
Net earnings (loss)	$2,082.8	$419.7	$(121.4)
Preferred stock dividend	–	–	11.1
Earnings (loss) available for common stockholders	$2,082.8	$419.7	$(132.5)
Basic weighted average common shares outstanding	442.7	434.3	382.2
Common stock issuable upon vesting of restricted stock awards	0.8	0.4	–
Common stock equivalents	2.2	1.1	–
Common stock issuable upon conversion of preferred stock	–	4.5	–
Diluted weighted average common shares outstanding	445.7	440.3	382.2
Earnings (loss) per share – basic	$ 4.70	$ 0.97	$ (0.35)
Earnings (loss) per share – diluted	$ 4.67	$ 0.95	$ (0.35)

There were no anti-dilutive shares for fiscal 2008. A total of 2.3 million and 4.5 million shares of common stock subject to issuance for exercise of stock options for fiscal 2007 and 2006, respectively, have been excluded from the calculation of diluted EPS because the option exercise price plus unrecognized corporate cost was greater than the average market price of our common stock during the period, and therefore, the effect would be antidilutive.

For fiscal 2006, 0.1 million common stock equivalents related to restricted stock awards, 0.7 million common stock equivalents related to stock options with exercise prices less than the average market price, and 52.9 million shares of common stock issuable upon conversion of the Mosaic Preferred Stock were not included in the computation of diluted EPS because we incurred a net loss and, therefore, the effect of their inclusion would be antidilutive.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Components of accumulated other comprehensive income (loss) are as follows:

(in millions)	Balance May 31, 2005	2006 Change	Balance May 31, 2006	2007 Change	Balance May 31, 2007	2008 Change	Balance May 31, 2008
Cumulative foreign currency translation adjustment, net of tax of $20.2 million	$(71.8)	$376.5	$304.7	$143.6	$448.3	$318.5	$766.8
Minimum pension liability adjustment	(0.2)	(5.3)	(5.5)	0.4	(5.1)	5.1	–
Net actuarial gain, net of tax of $16.6 million	–	–	–	15.7	15.7	8.1	23.8
Accumulated other comprehensive income (loss)	$(72.0)	$371.2	$299.2	$159.7	$458.9	$331.7	$790.6

8. CASH FLOW INFORMATION

Supplemental disclosures of cash paid for interest and income taxes and non-cash investing and financing information is as follows:

(in millions)	Years Ended May 31, 2008	2007	2006
Cash paid during the period for:			
Interest (net of amount capitalized)	$130.1	$220.5	$207.3
Income taxes	382.8	66.1	149.3
Non-cash investing and financing activities:			
Purchase of property, plant and equipment with debt	–	3.5	8.3
Purchase of property through the issuance of common stock	–	–	38.1
Detail of businesses acquired:			
Current assets	–	–	(4.0)
Property, plant and equipment	–	–	(9.7)
Goodwill	(489.5)	(89.4)	49.1
Other assets	–	–	(1.8)
Liabilities assumed, including deferred income taxes	489.5	89.4	(33.6)

Acquiring or constructing property, plant and equipment by incurring a liability does not result in a cash outflow for us until the liability is paid. In the period the liability is incurred, the change in operating accounts payable on the Consolidated Statement of Cash Flows is reduced by such amount. In the period the liability is paid, the amount is reflected as a cash outflow from investing activities. The applicable net change in operating accounts payable that was classified from (to) investing activities on the Consolidated Statement of Cash Flow was ($29.5) million, ($4.9) million, and $23.8 million for fiscal 2008, 2007, and 2006 respectively.

In fiscal 2008 and 2007, there were no businesses acquired; the fiscal 2006 detail of businesses acquired reflect adjustments associated with the finalization of valuations related to the Combination and the fiscal 2008 and 2007 adjustments relate only to income taxes. See Footnote 11 for further discussion.

9. FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of our financial instruments are as follows:

(in millions)	May 31, 2008 Carrying Amount	2008 Fair Value	2007 Carrying Amount	2007 Fair Value
Cash and cash equivalents	$1,960.7	$1,960.7	$420.6	$420.6
Accounts receivable, including Cargill receivables	1,039.2	1,039.2	557.0	557.0
Accounts payable trade, including Cargill payables	1,022.1	1,022.1	433.5	433.5
Short-term debt	133.1	133.1	138.6	138.6
Long-term debt, including current portion	1,418.3	1,447.6	2,221.9	2,231.2

For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short-term maturity of those instruments. The fair value of long-term debt, including long-term debt due Cargill, is estimated using a present value method based on current interest rates for similar instruments with equivalent credit quality.

10. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

We have investments in various international and domestic entities and ventures. The equity method of accounting is applied to such investments because the ownership structure prevents us from exercising a controlling influence over operating and financial policies of the businesses. Under this method, our equity in the net earnings or losses of the investments is reflected as equity in net earnings of non-consolidated companies on our Consolidated Statements of Operations. The effects of material intercompany transactions with these equity method investments are eliminated, including the gross profit on sales to and purchases from our equity-method investments which is deferred until the time of sale to the final third party customer.

A summary of our equity-method investments, which were in operation at May 31, 2008, is as follows:

Entity	Economic Interest
Gulf Sulphur Services LTD., LLLP	50.00%
River Bend Ag, LLC	50.00%
Saskferco	50.00%
IFC S.A.	45.00%
Yunnan Three Circles Sinochem Cargill Fertilizers Co. Ltd.	35.00%
Canpotex Limited	33.33%
Fertifos S.A. (owns 56.25% of Fosfertil S.A.)	33.09%
Fosfertil S.A.	1.30%

On July 14, 2008, we and the other primary investor in Saskferco announced a definitive agreement to sell Saskferco. We have included the Saskferco investment within other current assets on the Consolidated Balance Sheet as of May 31, 2008. See Note 25 for further information.

The summarized financial information shown below includes all non-consolidated companies carried on the equity method.

	Years ended May 31,		
(in millions)	2008	2007	2006
Net sales	$4,797.9	$3,060.9	$2,484.8
Net earnings	323.2	110.3	123.4
Mosaic's share of equity in net earnings	124.0	41.3	48.4
Total assets	2,983.2	1,902.8	1,673.8
Total liabilities	2,266.5	1,201.5	1,100.1
Mosaic's share of equity in net assets	266.0	288.8	238.4

The difference between our share of equity in net assets as shown in the above table and the investment in non-consolidated companies as shown on the Consolidated Balance Sheet is due to an excess amount paid over the book value of Fertifos. The excess relates to phosphate rock reserves adjusted to fair value in relation to Fertifos. The excess amount is amortized over the estimated life of the phosphate rock reserve and is net of related deferred income taxes.

Our ownership interest in Fertifos requires disclosure as defined by applicable SEC regulations as of May 31, 2008. Our carrying value of equity investments is impacted by net earnings and losses, dividends, movements in foreign currency exchange as well as other adjustments. In fiscal 2007, Fertifos and Fosfertil adopted SFAS 158 which resulted in a reduction of $3.3 million to our investment for the impact of adoption.

The following table summarizes financial information for Fertifos for the periods shown below.

	May 31,		
(in millions)	2008	2007	2006
Net earnings	$ 154.4	$ 48.6	$ 63.5
Total assets	1,612.3	1,048.1	908.1
Total liabilities	1,073.8	672.1	614.6

11. GOODWILL

The changes in the carrying amount of goodwill, by reporting unit, for the years ended May 31, 2008 and 2007, are as follows:

(in millions)	Phosphates	Potash	Total
Balance as of May 31, 2006	$ 753.9	$1,593.2	$2,347.1
Income tax adjustments	(30.2)	(59.2)	(89.4)
Foreign currency translation	–	26.1	26.1
Balance as of May 31, 2007	723.7	1,560.1	2,283.8
Income tax adjustments	(167.5)	(322.0)	(489.5)
Foreign currency translation	–	80.9	80.9
Balance as of May 31, 2008	$ 556.2	$1,319.0	$1,875.2

The Company has recorded adjustments to goodwill during fiscal 2008 and 2007 which are related to the reversal of income tax valuation allowances and other purchase accounting adjustments for income tax-related amounts including a revision to our deferred taxes to reflect our ability to claim foreign tax credits. As of May 31, 2008, $263.5 million of goodwill was determined to be tax deductible.

12. FINANCING ARRANGEMENTS

On December 1, 2006, we completed a refinancing (***"Refinancing"***) consisting of (i) the purchase by subsidiaries of approximately $1.4 billion of outstanding senior notes and debentures (***"Existing Notes"***) pursuant to tender offers and (ii) the refinancing of a $345.0 million term loan B facility under our existing bank credit agreement. The total consideration paid for the purchase of the Existing Notes, including tender premiums and consent payments but excluding accrued and unpaid interest, was approximately $1.5 billion. Mosaic funded the purchase of the Existing Notes and the refinancing of the existing term loan B facility through the issuance of $475.0 million aggregate principal amount of 7.375% senior notes due 2014 and $475.0 million aggregate principal amount of 7.625% senior notes due 2016, and new $400.0 million term loan A-1 and $612.0 million new term loan B facilities under an amended and restated senior secured bank credit agreement (***"Restated Credit Agreement"***). The excess proceeds from the Refinancing became available to us for general corporate purposes.

The revolving credit facility and term loan A facility existing under our senior secured bank credit agreement before the Refinancing were not refinanced and remained in place under the Restated Credit Agreement after the Refinancing.

Purchases of Existing Notes

The Existing Notes purchased in the Refinancing consisted of approximately $124.0 million aggregate principal amount of Mosaic Global Holdings' 6.875% Debentures due 2007, $371.0 million aggregate principal amount of 10.875% Senior Notes due 2008, $374.1 million aggregate principal amount of 11.250% Senior Notes due 2011, $396.1 million aggregate principal amount of 10.875% Senior Notes due 2013, and $145.8 million aggregate principal amount of Phosphate Acquisition Partners L.P.'s 7% Senior Notes due 2008. After giving effect to the purchases of the Existing Notes, approximately $26.0 million aggregate principal amount of Mosaic Global Holdings' 6.875% debentures due 2007, $23.9 million aggregate principal amount of 10.875% senior notes due 2008, $29.4 million aggregate principal amount of 11.250% senior notes due 2011, $3.5 million aggregate principal amount of 10.875% senior notes due 2013 and $4.2 million aggregate principal amount of Phosphate Acquisition Partners L.P.'s 7% senior notes due 2008 remained outstanding. In connection with the closing of the Refinancing, the indentures pursuant to which the Existing Notes were issued were amended to remove substantially all of their restrictive covenants, including restrictions limiting the payment of dividends by Mosaic Global Holdings to Mosaic.

New Senior Notes

The indenture relating to the New Senior Notes limited the ability of the Company to make restricted payments, which includes investments, guarantees, and dividends on and redemptions or repurchases of our capital stock. The indenture also contained other covenants and events of default that limited various matters or required the Company to take various actions under specified circumstances. In June 2008, two of three credit rating agencies, Fitch Inc. and Standard and Poor's Ratings Services, that rate the New Senior Notes upgraded their ratings of the New Senior Notes and other unsecured debt to investment grade status.[3] As a result, pursuant to the terms of the indenture, most of the restrictive covenants relating to the New Senior Notes have fallen away. Certain restrictive covenants of the New Senior Notes continue to apply, including restrictive covenants limiting liens, sale and leaseback transactions and mergers, consolidations and sales of substantially all assets as well as the events of default.

The obligations under the New Senior Notes are guaranteed by substantially all of Mosaic's domestic operating subsidiaries, Mosaic's subsidiaries that own and operate the Company's potash mines at Belle Plaine and Colonsay, Saskatchewan, Canada, and intermediate holding companies through which Mosaic owns the guarantors.

Mosaic entered into registration agreements with the initial purchasers of the New Senior Notes in connection with their issue and sale to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (***"Securities Act"***), and to non-U.S. persons in reliance on Regulation S under the Securities Act. The New Senior Notes were not registered under the Securities Act and may not be offered or sold in the U.S. absent registration or an applicable exemption from registration requirements. Pursuant to amendments to Rule 144 adopted by the SEC effective February 15, 2008, the sale (other than by affiliates of Mosaic) of the New Senior Notes became eligible for an exemption from registration under the Securities Act effective February 15, 2008. Upon effectiveness of these rule amendments, Mosaic's registration obligations with respect to the New Senior Notes expired. In addition, because of these rule amendments Mosaic's obligation to pay increased interest at an additional rate of 0.25% per annum for the period beginning December 2, 2007 that arose because Mosaic had not satisfied the requirements of the registration rights agreements expired on February 14, 2008.

Amended and Restated Credit Facilities

The amended and restated credit facilities are intended to serve as our primary senior secured bank credit facilities to meet the combined liquidity needs of all of our business segments. After the Refinancing, the credit facilities under

[3] A security rating is not a recommendation to buy, sell or hold securities. Although a security rating may be subject to revision or withdrawal at any time by the assigning rating organization, any such revision or withdrawal would not affect the fall-away of the covenants relating to the New Senior Notes. Each rating should be evaluated separately from any other rating.

the Restated Credit Agreement consisted of a revolving credit facility of up to $450.0 million available for revolving credit loans, swingline loans and letters of credit, a term loan A facility of $45.8 million, a term loan A-1 facility of $400.0 million and a term loan B facility of $612.0 million. From May 1, 2007 to December 31, 2007, we prepaid $1.0 billion aggregate principal amount of term loans under our senior secured bank credit facility. After the above prepayments, the outstanding term loans under the Restated Credit Agreement were reduced to $2.2 million principal amount of term loan A borrowings, $19.2 million principal amount of term loan A-1 borrowings, and $29.6 million principal amount of term loan B borrowings.

Borrowings under the revolving credit facility, the term loan A facility and the term loan A-1 facility bear interest at LIBOR plus 1.50%, and borrowings under the term loan B facility bear interest at LIBOR plus 1.75%. Commitment fees accrue at a rate of 0.375% on unused amounts under the revolving credit facility.

The Restated Credit Agreement requires us to maintain certain financial ratios, including a leverage ratio and an interest coverage ratio. It also contains other covenants and events of default that limit various matters or require us to take various actions under specified circumstances, including a limitation on our ability to pay dividends on, redeem or repurchase our capital stock. In May 2008, the Restated Credit Agreement was further amended to, among other things, eliminate a restriction on capital and certain other expenditures and to increase the permissible amount of borrowings by our foreign subsidiaries.

The obligations under the Restated Credit Agreement are guaranteed by substantially all of our domestic operating subsidiaries, our subsidiaries that own and operate our potash mines at Belle Plaine and Colonsay, Saskatchewan, Canada, and intermediate holding companies through which we own the guarantors. The obligations are secured by security interests in, mortgages on and/or pledges of (i) the equity interests in the guarantors and in domestic subsidiaries held directly by Mosaic and the guarantors under the Restated Credit Agreement; (ii) 65% of the equity interests in other foreign subsidiaries held directly by Mosaic and such guarantors; (iii) intercompany borrowings by subsidiaries that are held by Mosaic and such guarantors; (iv) the Belle Plaine and Colonsay, Saskatchewan, Canada and Hersey, Michigan potash mines and the Riverview, Florida phosphate plant owned by us; and (v) all of the inventory and receivables of Mosaic and such guarantors.

The maturity date of the revolving credit facility is February 18, 2010, the maturity date of the term loan A facility is February 19, 2010, the maturity date of the term loan A-1 facility is December 1, 2011 and the maturity date of the term loan B facility is December 1, 2013. Prior to maturity, in general, the applicable borrower is obligated to make quarterly amortization payments of $0.1 million with respect to the term loan A facility, $0.2 million with respect to the term loan A-1 facility, and $0.1 million with respect to the term loan B facility commencing December 31, 2008. In addition, if Mosaic's leverage ratio as defined under the Restated Credit Agreement is more than 3.50 to 1.00 as of the end of any fiscal year, borrowings must be repaid from 50% of excess cash flow for such fiscal year.

Short-Term Debt

Short-term debt consists of the revolving credit facility under the Restated Credit Agreement, a receivables financing facility, and various other short-term borrowings related to our Offshore business. Short-term borrowings were $133.1 million and $138.6 million as of May 31, 2008 and May 31, 2007, respectively. The weighted average interest rates on short-term borrowings were 5.5% and 6.6% as of May 31, 2008 and May 31, 2007, respectively.

We had no outstanding borrowings under the revolving credit facility as of either May 31, 2008 or May 31, 2007. We had outstanding letters of credit that utilized a portion of the revolving credit facility of $41.2 million and $102.7 million as of May 31, 2008 and May 31, 2007, respectively. The net available borrowings under the revolving credit facility as of May 31, 2008 and May 31, 2007 were approximately $408.8 million and $347.3 million, respectively. Unused commitment fees of $1.5 million and $1.1 million were expensed during fiscal 2008 and 2007, respectively. Borrowings under the revolving credit facility bear interest at LIBOR plus 1.5%.

On November 30, 2007, PhosChem entered into a revolving line of credit providing for borrowings of up to $55.0 million through November 29, 2009 to fund its working capital (including receivables). The revolving line of credit supports PhosChem's funding of its purchases of crop nutrients from us and the other PhosChem member and is with recourse to PhosChem but not to us. The line of credit is secured by PhosChem's accounts receivable, inventories, deposit accounts and certain other assets. Outstanding borrowings under the line of credit bear interest at the Prime Rate minus 1.0% or LIBOR plus 0.7%, at PhosChem's election. PhosChem had $38.4 million outstanding under the revolving line of credit as of May 31, 2008. The revolving line of credit replaced a prior $55.0 million receivables purchase facility, which PhosChem terminated in connection with entering into the new line of credit. The outstanding principal under the terminated receivables purchase facility was $28.0 million at May 31, 2007 and is included in short-term borrowings.

The remainder of the short-term borrowings balance consisted of lines of credit relating to our Offshore segment and other short-term borrowings. As of May 31, 2008, these borrowings bear interest rates between 3.8% and 9.6%, respectively. As of May 31, 2008 and May 31, 2007, $94.7 million and $110.6 million, respectively, were outstanding.

Long-Term Debt, Including Current Maturities

Long-term debt primarily consists of term loans, industrial revenue bonds, secured notes, unsecured notes, and unsecured debentures. Long-term debt as of May 31, 2008 and 2007, respectively, consisted of the following:

(in millions)	May 31, 2008 Stated Interest Rate	May 31, 2008 Effective Interest Rate	May 31, 2008 Stated Value	Combination Fair Market Value Adjustment	May 31, 2008 Carrying Value	May 31, 2007 Stated Value	Combination Fair Market Value Adjustment	May 31, 2007 Carrying Value
Term loans	LIBOR + 1.5% – 1.75%	4.10%	$ 51.0	$ 0.3	$ 51.3	$ 801.0	$ 6.3	$ 807.3
Industrial revenue bonds	5.5% and 7.7%	6.64%	40.9	1.2	42.1	40.9	1.2	42.1
Other secured notes	5.6% – 10.75%	7.57%	30.0	–	30.0	38.4	0.1	38.5
Unsecured notes	7.375% – 10.875%	7.38%	978.1	2.7	980.8	983.4	4.5	987.9
Unsecured debentures	7.3% – 9.45%	7.15%	258.5	5.7	264.2	284.5	6.2	290.7
Capital leases and other	4.0% – 9.93%	6.91%	48.9	–	48.9	53.5	–	53.5
Total long-term debt			1,407.4	9.9	1,417.3	2,201.7	18.3	2,220.0
Less current portion			42.4	0.9	43.3	397.9	5.9	403.8
Total long-term debt, less current maturities			$1,365.0	$ 9.0	$1,374.0	$1,803.8	$ 12.4	$1,816.2

As of May 31, 2008 and May 31, 2007, we had $51.3 million and $807.3 million, respectively, outstanding under the term loan facilities that are part of our senior secured credit facility. As of May 31, 2008, the term loan facilities bear interest at LIBOR plus 1.50%-1.75%.

As more fully discussed above, the Restated Credit Agreement requires us to maintain certain financial ratios, including a leverage ratio and an interest coverage ratio. We were in compliance with the provisions of the financial covenants in the Restated Credit Agreement as of May 31, 2008.

We have two industrial revenue bonds which total $42.1 million as of May 31, 2008 and May 31, 2007. As of May 31, 2008, the industrial revenue bonds bear interest rates at 5.5% and 7.7%. The maturity dates are 2009 and 2022.

We have several other secured notes which total $30.0 million and $38.5 million as of May 31, 2008 and May 31, 2007, respectively. As of May 31, 2008, the secured notes bear interest rates between 5.6% and 10.75%. The maturity dates range from 2008 to 2013.

We have several unsecured notes which total $980.8 million and $987.9 million as of May 31, 2008 and May 31, 2007, respectively. This includes the New Senior Notes issued as part of the Refinancing described above. As of May 31, 2008, the unsecured notes bear interest rates between 7.375% and 10.875%. The maturity dates range from 2008 to 2016.

We have several unsecured debentures which total $264.2 million and $290.7 million as of May 31, 2008 and May 31, 2007, respectively. As of May 31, 2008, the unsecured debentures bear interest rates between 7.3% and 9.45%. The maturity dates range from 2011 to 2028.

The remainder of the long-term debt balance relates to capital leases and fixed asset financings, variable rates loans, and other types of debt. As of May 31, 2008 and May 31, 2007, $48.9 million and $53.5 million, respectively, were outstanding.

As of May 31, 2008, we had at least $664.7 million available for the payment of cash dividends with respect to our common stock under the covenants limiting the payment of dividends in the Restated Credit Agreement. In addition, as of May 31, 2008, the indenture relating to the New Senior Notes included a covenant that limited restricted payments, including the payment of cash dividends with respect to our common stock. The covenant in the indenture that limited dividends was one of those that fell away as a result of the upgrades of the ratings on the New Senior Notes described above.

Scheduled maturities of long-term debt are as follows for the periods ending May 31:

(in millions)	
2009	$ 42.4
2010	33.4
2011	17.7
2012	63.8
2013	1.2
Thereafter	1,248.9
Total	$1,407.4

13. VARIABLE INTEREST ENTITIES

In the normal course of business we interact with various entities that may be variable interest entities (VIEs). Typical types of these entities are suppliers, customers, marketers, and real estate companies.

We have identified PhosChem, South Fort Meade General Partner, LLC (***"SFMGP"***) and South Fort Meade Partnership, L.P. (***"SFMP"***) as VIEs in which we are the primary beneficiary. Therefore, in accordance with FIN 46R, we consolidate these VIEs. Also, we did not identify any additional VIEs in which we hold a significant interest.

Generally, PhosChem markets our Phosphate products internationally. PhosChem had net sales of $2.8 billion and $1.6 billion for the years ended May 31, 2008 and 2007, respectively, which are included in our consolidated net sales. PhosChem funds its operations in part through a revolving line of credit, under which the outstanding borrowings were $38.4 million as of May 31, 2008. The line of credit is secured by PhosChem's accounts receivable, inventories, deposit accounts and certain other assets. The revolving line of credit replaced a prior receivables purchase facility, which PhosChem terminated in connection with entering into the new line of credit. The outstanding principal under the terminated receivables purchase facility was $28.0 million at May 31, 2007, which represented the amount of trade receivables sold by PhosChem under this financing facility. These amounts are included in our Consolidated Balance Sheets as of May 31, 2008 and 2007.

SFMP and SFMGP own the mineable acres at our South Fort Meade phosphate mine. SFMP and SFMGP had no external sales in fiscal 2008 and 2007. As of May 31, 2008 and 2007, SFMP and SFMGP had $70.1 million and $77.1 million of total assets, respectively, and $23.0 million and $30.3 million of total debt, respectively. These amounts are included in our Consolidated Balance Sheets as of May 31, 2008 and 2007.

14. INCOME TAXES

The provision for income taxes for the years ended May 31 consisted of the following:

(in millions)	2008	2007	2006
Current:			
Federal	$ 328.9	$ 2.2	$ –
State	41.2	5.8	1.9
Non-U.S.	204.1	68.7	93.8
Total Current	574.2	76.7	95.7
Deferred:			
Federal	210.5	47.9	4.8
State	33.4	4.5	1.2
Non-U.S.	(103.2)	(5.7)	(96.4)
Total Deferred	140.7	46.7	(90.4)
Provision for income taxes	$ 714.9	$123.4	$ 5.3

The components of earnings (loss) from consolidated companies before income taxes, and the effects of significant adjustments to tax computed at the federal statutory rate, were as follows:

(in millions)	2008	2007	2006
United States earnings (loss)	$2,059.9	$192.0	$(308.3)
Non-U.S. earnings	622.5	313.7	148.2
Earnings (loss) from consolidated companies before income taxes	$2,682.4	$505.7	$(160.1)
Computed tax at the federal statutory rate of 35%	35.0%	35.0%	(35.0%)
State and local income taxes, net of federal income tax benefit	1.9%	1.6%	(3.8%)
Percentage depletion in excess of basis	(4.9%)	(7.4%)	(14.3%)
Prior year foreign tax credit	(2.3%)	–	–
Non-U.S. income and withholding taxes	2.0%	10.3%	36.5%
Impact of change in Canadian tax rates	(1.3%)	(9.1%)	(50.6%)
Change in valuation allowance	(2.3%)	(6.5%)	70.5%
Other items (none in excess of 5% of computed tax)	(1.4%)	0.5%	–
Effective tax rate	26.7%	24.4%	3.3%

Increased U.S. profits resulted in our ability to claim foreign tax credits, which included a one time benefit of $62.2 million.

During fiscal 2008, 2007, and 2006, the Canadian government approved legislation to reduce the Canadian federal corporate tax rate. The impact of this law change reduced the deferred tax liabilities and resulted in fiscal 2008, 2007, and 2006 earnings benefits of $34.0 million, $46.0 million, and $81.0 million, respectively, net of the impact of a reduced foreign tax credit in the U.S.

We have no present intention of remitting undistributed earnings of foreign subsidiaries aggregating $1.1 billion and $630 million as of May 31, 2008 and 2007, respectively, and accordingly, no deferred tax liability has been established relative to these earnings. The calculation of the unrecognized deferred tax liability related to these earnings is complex and is not practicable. If earnings were distributed, we would be subject to U.S. taxes and withholding taxes payable to various non-U.S. governments. Based upon the facts and circumstances at that time, we would determine whether a credit for non-U.S. taxes already paid would be available to reduce the U.S. tax liability.

Significant components of our deferred tax liabilities and assets as of May 31 were as follows:

(in millions)	2008	2007	2006
Deferred tax liabilities:			
Depreciation and amortization	$ (378.2)	$ (310.2)	$ (357.9)
Depletion	(508.7)	(632.0)	(620.2)
Partnership tax bases differences	(98.6)	(133.7)	(106.5)
Other liabilities	(111.9)	(1.9)	(14.3)
Total deferred tax liabilities	$(1,097.4)	$(1,077.8)	$(1,098.9)
Deferred tax assets:			
Alternative minimum tax credit carryforwards	$ 125.6	$ 111.7	$ 110.3
Capital loss carryforwards	6.5	14.4	18.0
Foreign tax credit carryforwards	115.7	–	–
Long-term debt	–	8.3	80.3
Net operating loss carryforwards	27.1	197.5	259.0
Post-retirement and post-employment benefits	64.6	75.6	96.2
Reclamation and decommissioning accruals	189.8	180.2	157.2
Other assets	290.7	171.7	251.8
Subtotal	820.0	759.4	972.8
Valuation allowance	(6.6)	(316.6)	(498.4)
Net deferred tax assets	813.4	442.8	474.4
Net deferred tax liabilities	$ (284.0)	$ (635.0)	$ (624.5)

We have certain Canadian entities that are taxed in both Canada and the U.S. As a result, we have deferred tax balances for both jurisdictions. As of fiscal 2008, these deferred taxes are offset by approximately $242.0 million of foreign tax credits included within our depreciation and depletion components of deferred tax liabilities.

During 2008, we revised our deferred taxes to reflect our ability to claim foreign tax credits, which resulted in an adjustment to goodwill.

As of May 31, 2008, we had estimated carryforwards for tax purposes as follows: alternative minimum tax credits of $125.6 million, net operating losses of $53.5 million, capital losses of approximately $23 million, and foreign tax credits of $115.7 million.

The alternative minimum tax credit carryforwards can be carried forward indefinitely. The net operating loss carryforwards relate to Brazil and can be carried forward indefinitely but are limited to 30 percent of taxable income each year. The majority of foreign tax credits have expiration dates ranging from fiscal 2010 through fiscal 2017.

The majority of these carryforward benefits may be subject to limitations imposed by the Internal Revenue Code and in certain cases provisions of foreign law. A nominal valuation allowance remains on a small portion of these carryforward benefits. In determining whether it was necessary to record a valuation allowance against these carryforward benefits, we undertook an analysis, taking into consideration available objective evidence, both positive and negative, to determine whether it was more likely than not that we would be able to realize a tax benefit from these carryforwards and deferred tax assets. Our analysis included an evaluation of reversing taxable temporary differences, projected future taxable income, and tax planning strategies, which demonstrated that the carryforward benefit and deferred tax assets were more likely than not to be realized. We will continue to analyze the need for a valuation allowance against these carryforward and deferred tax assets.

Reduction of Valuation Allowance

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this assessment, we consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies.

Prior to fiscal 2008, we provided a valuation allowance for a portion of our U.S. deferred tax assets and certain non-U.S. deferred tax assets. During the three months ended August 31, 2007, we determined that it was more likely than not that we would realize the benefits of the U.S. deferred tax assets related to NOL carryforwards, alternative minimum tax (***"AMT"***) credit carryforwards and other deductible temporary differences for which a U.S. valuation allowance had been recorded. Accordingly, of the approximately $250.1 million U.S. valuation allowance at May 31, 2007, approximately $213.6 million has been reversed as a reduction to goodwill and $31.0 million has been reversed as a reduction to tax expense during fiscal 2008. In accordance with EITF Issue No. 93-7, *"Uncertainties Related to Income Taxes in Business Combinations"*, the recognition of $213.6 million as a reduction to goodwill is required as those benefits arose from the Combination.

During the fourth quarter of fiscal 2008, we determined that our valuation allowance against certain non-U.S. deferred tax assets recorded in prior fiscal years was not required. A reduction of the majority of non-U.S. valuation allowance of approximately $30.0 million was recorded as a reduction to income tax expense. We no longer carry a valuation allowance of $5.5 million against U.S. capital loss carryforwards as the capital losses expired at the end of fiscal 2008.

Adoption of FIN 48

Effective June 1, 2007, we adopted the provisions of FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken in a tax return. Under FIN 48, the impact of an uncertain tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, FIN 48 provides guidance on subsequent derecognition of tax positions, financial statement classification, recognition of interest and penalties, accounting in interim periods and disclosure and transition rules. The adoption of FIN 48 did not have a material impact on our financial condition, results of operations or cash flows.

The adoption of FIN 48 resulted in the reclassification from other tax accounts of a $169.6 million liability, including interest and penalties that is included in other noncurrent liabilities at June 1, 2007.

As of June 1, 2007, we had $192.8 million of unrecognized tax benefits. As of June 1, 2007, if recognized, $12.7 million would have an impact on our effective tax rate, whereas $7.6 million would result in adjustment to non-goodwill balance sheet accounts. As of May 31, 2008, we had $195.3 million of unrecognized tax benefits. As of May 31, 2008, if recognized, $7.8 million would have an impact on our effective tax rate, whereas $9.3 million would result in adjustment to non-goodwill balance sheet accounts. Included in the balance of unrecognized tax benefits at June 1, 2007 and May 31, 2008 are $141.4 million and $117.9 million, respectively, of tax benefits that under current U.S. GAAP, if recognized, would result in a decrease to goodwill recorded as a result of the Combination in accordance with Emerging Issues Task Force Issue No. 93-7, *"Uncertainties Related to Income Taxes in a Business Combination"*. It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however the change cannot reasonably be estimated.

(in millions)	2008
Unrecognized tax benefits:	
Balance at June 1, 2007	$192.8
Decreases for positions taken in prior years	(33.6)
Currency translation	5.0
Increases for positions taken in prior years	17.4
Increases for positions related to current year	22.9
Lapsing of statutes of limitations	(9.2)
Balance at May 31, 2008	$195.3

We recognize interest and penalties related to unrecognized tax benefits as a component of our income tax provision. This policy did not change as a result of the adoption of FIN 48. Interest and penalties accrued in our Consolidated Balance Sheet at June 1, 2007 and May 31, 2008 are $15.9 million and $25.4 million, respectively, and are included in other noncurrent liabilities in the Consolidated Balance Sheet. For fiscal 2008, we recognized interest and penalties expense of $8.1 million in our Consolidated Statements of Operations.

We operate in multiple tax jurisdictions, both within the United States and outside the United States, and face audits from various tax authorities regarding transfer pricing, deductibility of certain expenses, and intercompany transactions, as well as other matters. With few exceptions, we are no longer subject to examination for tax years prior to 2001.

We are currently under audit by the Internal Revenue Service for the fiscal years 2004 to 2006 and Canadian Revenue Agency for the fiscal years 2001 to 2002. Based on the information available at May 31, 2008, we do not anticipate significant additional changes to our unrecognized tax benefits as a result of these examinations.

15. ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

We account for AROs in accordance with SFAS 143. Our legal obligations related to asset retirement require us to: (i) reclaim lands disturbed by mining as a condition to receive permits to mine phosphate ore reserves; (ii) treat low pH process water in phosphogypsum management systems to neutralize acidity; (iii) close phosphogypsum management systems at our Florida and Louisiana facilities at the end of their useful lives; (iv) remediate certain other conditional obligations; and (v) remove all surface structures and equipment, plug and abandon mine shafts, contour and revegetate, as necessary, and monitor for three years after closing our Carlsbad, New Mexico facility. The estimated liability for these legal obligations is based on the estimated cost to satisfy the above obligations which is discounted using a credit-adjusted risk-free rate.

In fiscal 2008 and 2007, we recognized a restructuring loss of $18.2 million and a restructuring gain of $4.1 million, respectively, related to revisions in estimated cash flows for the indefinite closure of our Fort Green phosphate mine and our Green Bay and South Pierce concentrates plants in central Florida (***"Phosphates Restructuring"***). As the related asset no longer has an estimated useful life and as a result was impaired, the amounts were recorded in restructuring expense in fiscal 2008 and 2007. For further discussion on the indefinitely closed facilities refer to Note 22.

A reconciliation of our AROs is as follows:

(in millions)	May 31, 2008	2007
Asset retirement obligations, beginning of year	$541.5	$548.2
Liabilities incurred	39.8	24.0
Liabilities settled	(81.8)	(70.3)
Accretion expense	26.5	28.2
Revisions in estimated cash flows for operating facilities	(28.6)	15.5
Revisions in estimated cash flows for restructured facilities	18.2	(4.1)
Asset retirement obligations, end of year	515.6	541.5
Less current portion	85.1	77.6
	$430.5	$463.9

We also have unrecorded ARO that are conditional upon a certain event. These ARO generally include the removal and disposition of non-friable asbestos. The most recent estimate of the aggregate cost of these ARO, expressed in 2008 dollars, is approximately $19 million. We have not recorded a liability for these conditional ARO at May 31, 2008 because we do not currently believe there is a reasonable basis for estimating a date or range of dates for demolition of these facilities. In reaching this conclusion, we considered the historical performance of each facility and have taken into account factors such as planned maintenance, asset replacements and upgrades which, if conducted as in the past, can extend the physical lives of our facilities indefinitely. We also considered the possibility of changes in technology, risk of obsolescence, and availability of raw materials in arriving at our conclusion.

16. ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to the impact of fluctuations in the relative value of currencies, the impact of fluctuations in the purchase price of natural gas, ammonia and sulfur consumed in operations, changes in freight costs, as well as changes in the market value of our financial instruments. We periodically enter into derivatives in order to mitigate our foreign currency risks and the effects of changing commodity and freight prices, but not for speculative purposes.

We use financial instruments, including forward contracts, zero-cost collars and futures, which typically expire within one year, to reduce the impact of foreign currency exchange risk in the Consolidated Statements of Operations. One of the primary currency exposures relates to several of our Canadian entities, whose sales are denominated in U.S. dollars, but whose costs are paid principally in Canadian dollars, which is their functional currency. Our Canadian businesses monitor their foreign currency risk by estimating their forecasted transactions and measuring their balance sheet exposure in U.S. dollars and Canadian dollars. We hedge certain of these risks through forward contracts and zero-cost collars. Our international distribution and production operations monitor their foreign currency risk by assessing their balance sheet and forecasted exposures. Our Brazilian operations enter into foreign currency futures traded on the Futures and Commodities Exchange – Brazil Mercantile and Futures Exchange – and also enter into non deliverable forward contracts to hedge foreign currency risk. Our other foreign locations also use forward contracts to reduce foreign currency risk.

We use forward purchase contracts, forward freight agreements, swaps and zero-cost collars to reduce the risk related to significant price changes in our inputs and product prices. The use of these financial instruments modifies the exposure of these risks with the intent to reduce our risk and variability.

Our foreign currency exchange contracts, commodities contracts and certain freight contracts do not qualify for hedge accounting under SFAS 133; therefore, unrealized gains and losses are recorded in the Consolidated Statements of Operations. Unrealized gains and losses on foreign currency exchange contracts related to commodities contracts and certain forward freight agreements are recorded in cost of goods sold in the Consolidated Statements of Operations. Unrealized gains or losses used to hedge changes in our financial position are included in the foreign currency transaction loss line on the Consolidated Statements of Operations. Below is a table that shows our derivative unrealized gains (losses) related to foreign currency exchange contracts, commodities contracts, and freight contracts:

(in millions)	Years ended May 31, 2008	2007
Foreign currency exchange contracts included in cost of goods sold	$(12.6)	$(3.0)
Commodities contracts included in cost of goods sold	36.9	14.2
Ocean freight contracts included in cost of goods sold	6.6	2.3
Foreign currency exchange contracts included in foreign currency transaction gain (loss)	(5.9)	6.7

17. GUARANTEES AND INDEMNITIES

We enter into various contracts that include indemnification and guarantee provisions as a routine part of our business activities. Examples of these contracts include asset purchase and sale agreements, surety bonds, financial assurances to regulatory agencies in connection with reclamation and closure obligations, commodity sale and purchase agreements, and other types of contractual agreements with vendors and other third parties. These agreements indemnify counterparties for matters such as reclamation and closure obligations, tax liabilities, environmental liabilities, litigation and other matters, as well as breaches by Mosaic of representations, warranties and covenants set forth in these agreements. In many cases, we are essentially guaranteeing our own performance, in which case the guarantees do not fall within the scope of FASB Interpretation No. 45 (***"FIN 45"***), *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."*

Material guarantees and indemnities within the scope of FIN 45 are as follows:

Guarantees to Brazilian Financial Parties. From time to time, we issue guarantees to financial parties in Brazil for certain amounts owed the institutions by certain customers of Mosaic. The guarantees are for all or part of the customers' obligations. In the event that the customers default on their payments to the institutions and we would be required to perform under the guarantees, we have in most instances obtained collateral from the customers. The guarantees generally have a one-year term, but may extend up to two years or longer depending on the crop cycle, and we expect to renew many of these guarantees on a rolling twelve-month basis. As of May 31, 2008, we have estimated the maximum potential future payment under the guarantees to be $63.4 million. The fair value of these guarantees is immaterial to the Consolidated Financial Statements at May 31, 2008 and May 31, 2007.

Other Indemnities. Our maximum potential exposure under other indemnification arrangements can range from a specified dollar amount to an unlimited amount, depending on the nature of the transaction. Total maximum potential exposure under these indemnification arrangements is not estimable due to uncertainty as to whether claims will be made or how they will be resolved. We do not believe that we will be required to make any material payments under these indemnity provisions.

Because many of the guarantees and indemnities we issue to third parties do not limit the amount or duration of our obligations to perform under them, there exists a risk that we may have obligations in excess of the amounts described above. For those guarantees and indemnities that do not limit our liability exposure, we may not be able to estimate what our liability would be until a claim is made for payment or performance due to the contingent nature of these arrangements.

18. PENSION PLANS AND OTHER BENEFITS

We sponsor pension and postretirement benefits through a variety of plans including defined benefit plans, defined contribution plans, and post-retirement benefit plans. In addition, we are a participating employer in Cargill's defined benefit pension plans. We reserve the right to amend, modify, or terminate the Mosaic sponsored plans at any time, subject to provisions of the Employee Retirement Income Security Act of 1974 (***"ERISA"***), prior agreements and our collective bargaining agreements.

In accordance with the merger and contribution agreement (***"Merger and Contribution Agreement"***) related to the Combination, pension and other postretirement benefit liabilities for certain of the former CCN employees were not transferred to us. Prior to the Combination, Cargill was the sponsor of the benefit plans for CCN employees and therefore, no assets or liabilities were transferred to us. These former CCN employees remain eligible for pension and other postretirement benefits under Cargill's plans. Cargill incurs the associated costs and charges them to us. The amount that Cargill may charge to us for such pension costs may not exceed $2.0 million per year or $19.2 million in the aggregate. As of May 31, 2008, the aggregate amount remaining under this agreement is $11.2 million. This cap does not apply to the costs associated with certain active union participants who continue to earn service credit under Cargill's pension plan.

Costs charged to us for the former CCN employees' pension expense were $2.6 million, $3.6 million and $3.3 million for fiscal 2008, 2007 and 2006, respectively.

There are several defined benefit plans for international employees that are covered by Cargill. The liabilities from these plans are not material to the Consolidated Financial Statements. We also provide defined contribution plans in various countries where we are liable for the employer match. Costs related to these plans were $1.0 million, $0.8 million and $0.7 million for fiscal 2008, 2007 and 2006, respectively.

Defined Benefit Plans

We sponsor two defined benefit pension plans in the U.S. and four plans in Canada. We assumed these plans from IMC on the date of the Combination. Benefits are based on different combinations of years of service and compensation levels, depending on the plan. The U.S. salaried and non-union hourly plan provides benefits to employees who were IMC employees prior to January 1998. In addition, the plan, as amended, accrues no further benefits for plan participants, effective March 2003. The U.S. union pension plan provides benefits to union employees. Certain U.S. union employees were given the option and elected to participate in a defined contribution retirement plan in January 2004, in which case their benefits were frozen under the U.S. union pension plan. Other represented employees with certain unions hired on or after June 2003 are not eligible to participate in the U.S. union pension plan. The Canadian pension plans consist of two plans for salaried and non-union hourly employees, which are closed to new members, and two plans for union employees.

In 2006, it was approved that the U.S. union pension plans and benefit accruals would be frozen effective December 31, 2007 and replaced with a defined contribution retirement plan. We will continue to fund the accumulated benefit obligations existing at December 31, 2007 but will accrue no further benefit obligations under the plan beyond the effective date. We concluded that there was no financial impact of the curtailment.

In fiscal 2006, in connection with the Phosphates Restructuring, we incurred a curtailment on both the pension and post-retirement plans. For the pension plan, the curtailment reduced our projected benefit obligation and fiscal 2007 expense by $0.9 million. For the postretirement plan, the curtailment reduced our accumulated projected benefit obligation and fiscal 2007 expense by $0.9 million and $0.7 million, respectively. For further details on the Phosphates Restructuring, refer to Note 22.

Generally, contributions to the U.S. plans are made to meet minimum funding requirements of ERISA, while contributions to Canadian plans are made in accordance with Pension Benefits Acts instituted by the provinces of Saskatchewan and Ontario. Certain employees in the U.S. and Canada, whose pension benefits exceed Internal Revenue Code and Canada Revenue Agency limitations, respectively, are covered by supplementary non-qualified, unfunded pension plans.

Post-Retirement Medical Benefit Plans

We provide certain health care benefit plans for certain retired employees (***"Retiree Health Plans"***). The Retiree Health Plans may be either contributory or non-contributory and contain certain other cost-sharing features such as deductibles and coinsurance. The Retiree Health Plans are unfunded. Certain employees are not vested and such benefits are subject to change.

The U.S. retiree medical program for certain salaried and non-union retirees age 65 and over was terminated effective January 1, 2004. The retiree medical program for salaried and non-union hourly retirees under age 65 will end at age 65. The retiree medical program for certain active salaried and non-union hourly employees was terminated effective April 1, 2003. Coverage changes and termination of certain post-65 retiree medical benefits also were effective April 1, 2003. We also provide retiree medical benefits to union hourly employees. Pursuant to a collective bargaining agreement, certain represented employees hired after June 2003 are not eligible to participate in the retiree medical program.

Canadian post-retirement medical plans are available to retired salaried employees. Under our Canadian post-retirement medical plans, all Canadian active salaried employees are eligible for coverage upon retirement. There are no retiree medical benefits available for Canadian union hourly employees.

Our U.S. retiree medical program provides a benefit to our U.S. retirees that is at least actuarially equivalent to the benefit provided by the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (Medicare Part D). Because our plan is more generous than Medicare Part D, it is considered at least actuarially equivalent to Medicare Part D and the U.S. government provides a subsidy to the Company.

In fiscal 2006, we adopted FASB Staff Position No. 106-2, *"Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"* (***"FSP 106-2"***), which addressed the accounting for the federal subsidy. The adoption of FSP 106-2 reduced our accumulated postretirement benefit obligation by $7.6 million and our net periodic postretirement benefit cost by $0.5 million for 2006. The subsidy will in the future also continue to reduce net periodic postretirement benefit cost by adjusting the interest cost, service cost and actuarial gain or loss to reflect the effects of the subsidy.

Accounting for Pension and Postretirement Plans

We used an end of February measurement date for fiscal 2008 and fiscal 2007, respectively, for our pension and postretirement benefit plans. The tables and discussion on the following pages only represent the North American plans as the international plans are immaterial.

Effective for fiscal 2007, we adopted the provisions of SFAS 158 relating to the recognition of the funded status of a plan. The provision of SFAS 158 requiring congruent measurement dates were adopted as of June 1, 2008. See Note 4 for further discussion related to the adoption of SFAS 158.

The year-end status of the North American plans was as follows:

	Pension Plans		Postretirement Benefit Plans	
(in millions)	2008	2007	2008	2007
Change in benefit obligation:				
Benefit obligation at beginning of year	$590.2	$577.0	$ 120.1	$ 117.5
Service cost	7.0	6.9	0.9	0.9
Interest cost	32.1	31.5	6.3	6.4
Plan amendments	0.3	–	–	–
Actuarial (gain) loss	(34.3)	7.3	(10.5)	4.7
Currency fluctuations	13.9	5.9	0.9	0.4
Curtailment gain	–	(0.9)	–	(0.9)
Employee contribution	–	–	0.3	0.4
Benefits paid	(28.7)	(37.5)	(9.1)	(9.3)
Benefit obligation at end of year	$580.5	$590.2	$ 108.9	$ 120.1
Change in plan assets:				
Fair value at beginning of year	$ 507.8	$461.1	$ –	$ –
Currency fluctuations	12.0	5.5	–	–
Actual return	13.4	54.3	–	–
Company contribution	21.9	24.4	8.8	8.9
Employee contribution	–	–	0.3	0.4
Benefits paid	(28.7)	(37.5)	(9.1)	(9.3)
Fair value at end of year	$526.4	$507.8	$ –	$ –
Funded status of the plans at the end of February	$ (54.1)	$ (82.4)	$(108.9)	$(120.1)
Employer contributions in fourth quarter	5.7	4.9	2.2	2.2
Funded status of the plans at May 31,	$ (48.4)	$ (77.5)	$(106.7)	$(117.9)
Amounts recognized in the consolidated balance sheet:				
Current liabilities	$ (0.8)	$ (0.8)	$ (11.4)	$ (12.4)
Noncurrent liabilities	(47.6)	(76.7)	(95.3)	(105.5)
Amounts recognized in accumulated other comprehensive (income) loss	$ (31.7)	$ (23.4)	$ (9.6)	$ 0.8

The accumulated benefit obligation for the defined benefit pension plans was $571.5 million and $583.5 million as of May 31, 2008 and 2007, respectively.

The components of net annual periodic benefit costs and other amounts recognized in other comprehensive income include the following components:

	Pension Plans			Postretirement Benefit Plans		
(in millions)	2008	2007	2006	2008	2007	2006
Net Periodic Benefit Cost						
Service cost	$ 7.0	$ 6.9	$ 7.1	$ 0.9	$ 0.9	$1.2
Interest cost	32.1	31.5	30.3	6.3	6.4	6.3
Expected return on plan assets	(38.7)	(34.0)	(31.7)	–	–	–
Amortization	–	–	–	–	(0.1)	–
Net periodic cost	0.4	4.4	5.7	7.2	7.2	7.5
Curtailment gain	–	(0.9)	–	–	(0.7)	–
Net periodic benefit cost	$ 0.4	$ 3.5	$ 5.7	$ 7.2	$ 6.5	$7.5
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income						
Net actuarial (gain) loss recognized in other comprehensive income	$ (8.8)	$ –	$ –	$(10.5)	$ –	$ –
Total recognized in net periodic benefit cost and other comprehensive income	$ (8.4)	$ 3.5	$ 5.7	$ (3.3)	$ 6.5	$7.5

The estimated net actuarial gain for the pension plans and postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over fiscal 2009 is $1.7 million and $0.1 million, respectively.

The following benefit payments, which reflect estimated future service, are expected to be paid by the related plans in the fiscal years ending May 31:

(in millions)	Pension Plans Benefit Payments	Other Postretirement Plans Benefit Payments	Medicare Part D Adjustments
2009	$ 28.2	$11.4	$(0.8)
2010	31.1	11.8	(0.8)
2011	33.0	12.1	(0.8)
2012	35.3	11.9	(0.8)
2013	36.7	11.2	(0.7)
2014-2018	210.6	45.1	(2.8)

In fiscal 2009, we need to contribute cash of at least $20.3 million to the pension plan to meet minimum funding requirements. Also in fiscal 2009, we anticipate contributing cash of $11.4 million to the post-retirement medical benefit plan to fund anticipated benefit payments.

Our pension plan weighted-average asset allocations at May 31, 2008 and 2007 and the target by asset category are as follows:

	Plan Assets as of May 31,		
	Target	2008	2007
Asset category			
Equity securities	70%	71%	75%
Debt securities	27%	24%	21%
Real estate	3%	4%	3%
Other	0%	1%	1%
Total	100%	100%	100%

The investment objectives for the pension plans' assets are as follows: (i) achieve a nominal annualized rate of return equal to or greater than the actuarially assumed investment return over ten to twenty-year periods; (ii) achieve an annualized rate of return of the Consumer Price Index plus 5% over ten to twenty-year periods; (iii) realize annual, three and five-year annualized rates of return consistent with or in excess of specific respective market benchmarks at the individual asset class level; and (iv) achieve an overall return on the pension plans' assets consistent with or in excess of the total fund benchmark, which is a hybrid benchmark customized to reflect the trusts' asset allocation and performance objectives. The U.S. pension plans' benchmark is currently comprised of the following indices and their respective weightings: 36% S&P 500, 9% Russell 2500, 5% equally weighted blend of Cambridge Venture and Private Equity indices, 15% MSCI World ex-US, 5% MSCI EMF, 20% LB Aggregate, 5% SB Inflation Linked and 5% NCREIF Property. The Canadian pension plans' benchmark is currently comprised of the following indices and their respective weightings: 17% S&P/TSX 300, 5% equally weighted blend of Nesbitt Burns and S&P/TSX Small Cap indices, 24% S&P 500, 9% equally weighted blend of Cambridge Venture and Private Equity indices, 8% MSCI World ex-US, 7% MSCI EMF and 30% Scotia Capital Bond Index.

The investment structure has an overall commitment to equity securities of approximately 70% that is intended to provide the desired risk/return trade-off and, over the long-term, the level of returns sufficient to achieve the Company's investment goals and objectives for the pension plans' assets while covering near term cash flow obligations with fixed income in order to protect the pension plans from a forced liquidation of equities at the bottom of a cycle.

The approach used to develop the discount rate for the pension and post-retirement plans is commonly referred to as the yield curve approach. A hypothetical yield curve using the top yielding quartile of available high quality bonds is matched against the projected benefit payment stream. Each cash flow of the projected benefit payment stream is discounted back using the respective interest rate on the yield curve. Using the present value of projected benefit payments a weighted-average discount rate is derived.

The approach used to develop the expected long-term rate of return on plan assets combines an analysis of historical performance, the drivers of investment performance by asset class, and current economic fundamentals. For returns, we utilized a building block approach starting with inflation expectations and added an expected real return to arrive at a long-term nominal expected return for each asset class. Long-term expected real returns are derived in the context of future expectations of the U.S. Treasury real yield curve.

Weighted-average assumptions used to determine benefit obligations were as follows:

	Pension Plans			Postretirement Benefit Plans		
	2008	2007	2006	2008	2007	2006
Discount rate	6.26%	5.48%	5.58%	5.87%	5.51%	5.70%
Expected return on plan assets	7.78%	7.79%	7.67%	–	–	–
Rate of compensation increase	3.50%	3.50%	3.50%	–	–	–

Weighted-average assumptions used to determine net benefit cost were as follows:

	Pension Plans			Postretirement Benefit Plans		
	2008	2007	2006	2008	2007	2006
Discount rate	5.48%	5.58%	5.75%	5.51%	5.70%	5.75%
Expected return on plan assets	7.79%	7.67%	7.86%	–	–	–
Rate of compensation increase	3.50%	3.50%	3.75%	–	–	–

Assumed health care trend rates used to measure the expected cost of benefits covered by the plans were as follows:

	2008	2007	2006
Health care cost trend rate assumption for the next fiscal year	9.25%	9.25%	9.25%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.50%	5.50%	5.50%
Fiscal year that the rate reaches the ultimate trend rate	2013	2012	2011

Assumed health care cost trend rates have an effect on the amounts reported. For the health care plans a one-percentage-point change in the assumed health care cost trend rate would have the following effect:

	2008		2007		2006	
(in millions)	One-Percentage-Point Increase	One-Percentage-Point Decrease	One-Percentage-Point Increase	One-Percentage-Point Decrease	One-Percentage-Point Increase	One-Percentage-Point Decrease
Total service and interest cost	$0.2	$(0.2)	$0.2	$(0.2)	$0.2	$(0.2)
Postretirement benefit obligation	1.4	(1.2)	3.4	(3.1)	3.2	(3.0)

Defined Contribution Plans

We assumed the IMC defined contribution plans following the Combination. Effective January 1, 2005, the IMC Global Inc. Profit Sharing and Savings Plan was renamed the Mosaic Investment Plan (***"Investment Plan"***). The Investment Plan permits eligible salaried and nonunion hourly employees to defer a portion of their compensation through payroll deductions and provides matching contributions. In fiscal 2008 and 2007, we matched 100% of the first 3% of the participant's contributed pay plus 50% of the next 3% of the participant's contributed pay to the Investment Plan, subject to Internal Revenue Service limits. Participant contributions, matching contributions, and the related earnings immediately vest. The Investment Plan also provides an annual non-elective employer contribution feature for eligible salaried and non-union hourly employees based on the employee's age and eligible pay. In accordance with plan amendments effective January 1, 2007 participants are generally vested in the non-elective employer contributions after three years of service. Prior to January 1, 2007 vesting schedules in the non-elective employer contributions were generally over five years of service. In addition, a discretionary feature of the plan allows the Company to make additional contributions to employees. Effective January 1, 2005, certain former employees of Cargill who were employed with Mosaic on January 1, 2005 became eligible for the Investment Plan, and a portion of the Cargill Partnership Plan assets were transferred to the Investment Plan. Prior to January 1, 2005, Mosaic employees who were formerly Cargill salaried and non-union hourly employees received a matching contribution of 50% of the first 6% of the participant's contributed pay with graded vesting over five years.

Effective April 1, 2005, the IMC Global Represented Retirement Savings Plan was renamed the Mosaic Union Savings Plan (***"Savings Plan"***). The Savings Plan was established pursuant to collective bargaining agreements with certain unions. Mosaic makes contributions to the defined contribution retirement plan based on the collective bargaining agreements. The Savings Plan is the primary retirement vehicle for newly hired employees covered by certain collective bargaining agreements. Effective April 1, 2005 certain former collectively bargained employees of Cargill who were employed with Mosaic on April 1, 2005 became eligible for the Savings Plan and a portion of the Cargill Investment Plan assets were transferred to the Savings Plan.

The expense attributable to the Investment Plan and Savings Plan was $22.9 million, $17.9 million and $14.5 million in fiscal 2008, 2007 and 2006, respectively.

Canadian salaried and non-union hourly employees participate in an employer funded plan with employer contributions similar to the U.S. plan. The plan provides a profit sharing component which is paid each year. We also sponsor one mandatory union plan in Canada. Benefits in these plans vest after two years of consecutive service.

19. SHARE-BASED PAYMENTS

We sponsor one share-based compensation plan. The Mosaic Company 2004 Omnibus Stock and Incentive Plan (the ***"Omnibus Plan"***), which was approved by shareholders and became effective October 20, 2004 and amended on October 4, 2006, permits the grant of shares and share options to employees for up to 25 million shares of common stock. The Omnibus Plan provides for grants of stock options, restricted stock, restricted stock units, and a variety of other share-based and non-share-based awards. Our employees, officers, directors, consultants, agents, advisors, and independent contractors, as well as other designated individuals, are eligible to participate in the Omnibus Plan. Mosaic settles stock option exercises and restricted stock units with newly issued common shares. The Compensation Committee of the Board of Directors administers the Omnibus Plan subject to its provisions and applicable law.

On July 6, 2006, we amended our non-qualified stock option participant agreement to include a retirement provision. This provision allows an individual to retire at age 60 or older and maintain their rights to their stock options. This only affects option grants made after July 6, 2006 and does not amend prior grants.

On July 6, 2006, we amended our restricted stock unit participant agreement to change the retirement age from age 65 to age 60. This only affects restricted stock unit grants made after July 6, 2006 and does not amend prior grants.

In the fourth quarter of fiscal 2008, we amended our restricted stock unit participant agreements for outstanding grants made in 2006 and 2007 to certain executive officers and certain other officers to provide that the restricted stock units vest immediately upon death or disability but do not vest upon retirement.

Restricted stock units are issued to various employees, officers and directors at a price equal to the market price of our stock at the date of grant. The fair value of restricted stock units is equal to the market price of our stock at the date of grant. Restricted stock units generally cliff vest after three or four years of continuous service. Restricted stock units granted prior to June 1, 2006 were expensed by us on a straight-line basis over the vesting period, based on the estimated fair value of the award, and the related share-based compensation recognized in the Consolidated Statement of Operations was net of actual forfeitures. Restricted stock units granted after June 1, 2006, were expensed by us on a straight-line basis over the required service period, based on the estimated fair value of the award, and the related share-based compensation recognized in the Consolidated Statement of Operations was net of estimated forfeitures.

Stock options are granted with an exercise price equal to the market price of our stock at the date of grant and have a ten-year contractual term. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option valuation model. Stock options granted to date vest either after three years of continuous service (cliff vesting) or in equal annual installments in the first three years following the date of grant (graded vesting). Stock options granted prior to June 1, 2006, were expensed by us on a straight-line basis over the vesting period, based on the estimated fair value of the award on the date of grant, net of actual forfeitures. Options granted after June 1, 2006, were expensed by us on a straight-line basis over the required service period, based on the estimated fair value of the award on the date of grant, net of estimated forfeitures.

Assumptions used to calculate the fair value of stock options in each period are noted in the following table. Expected volatilities were based on the combination of our and IMC's historical six-year volatility of common stock. The expected term of the options is calculated using the simplified method described in SAB 110 under which the Company can take the midpoint of the vesting date and the full contractual term. The risk-free interest rate is based on the U.S. Treasury rate at the time of the grant for instruments of comparable life. We did not anticipate payment of dividends at the date of grant. A summary of the assumptions used to estimate the fair value of stock option awards is as follows:

	Year Ended May 31,		
	2008	2007	2006
Weighted average assumptions used in option valuations:			
Expected volatility	40.5%	40.8%	45.2%
Expected dividends	–	–	–
Expected term (in years)	6.0	6.0	6.0
Risk-free interest rate	4.63%	4.82%	4.16%

We recorded share-based compensation expense, net of forfeitures, of $18.5 million, $23.4 million and $8.1 million for fiscal 2008, 2007 and 2006, respectively. The tax benefit related to share-based compensation expense was $6.6 million and $8.5 million for fiscal 2008 and 2007, respectively. There was no tax benefit related to share-based compensation in fiscal 2006.

A summary of our stock option activity during the year-ended May 31, 2008 is as follows:

	Shares *(in millions)*	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of June 1, 2007	5.9	$17.61	6.6	$104.5
Granted	0.7	40.36		
Exercised	(3.0)	18.64		
Canceled	(0.1)	33.97		
Outstanding as of May 31, 2008	3.5	$20.28	7.3	$359.5
Exercisable as of May 31, 2008	1.4	$15.03	5.7	$151.3

The weighted-average grant date fair value of options granted during fiscal 2008, 2007 and 2006 was $18.87, $7.43 and $8.50, respectively. The total intrinsic value of options exercised during fiscal 2008, 2007 and 2006 was $151.0 million, $23.0 million and $11.9 million, respectively.

A summary of the status of our restricted stock units as of May 31, 2008, and changes during fiscal 2008, is presented below:

	Shares *(in millions)*	Weighted-Average Grant Date Fair Value Per Share
Restricted stock units as of June 1, 2007	0.9	$16.06
Granted	0.1	$40.68
Issued and canceled	(0.1)	$17.61
Restricted stock units as of May 31, 2008	0.9	$19.71

As of May 31, 2008, there was $18.6 million of total unrecognized compensation cost related to options and restricted stock units granted under the Omnibus Plan. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 1.8 years. The total fair value of options vested in fiscal 2008 and 2007 was $9.9 million and $11.1 million, respectively.

Cash received from options exercised under all share-based payment arrangements for fiscal 2008, 2007 and 2006 was $57.2 million, $48.1 million and $28.9 million, respectively. In fiscal 2008, we received a tax benefit for tax deductions from options of $54.7 million. In fiscal 2007, we received a tax benefit for tax deductions from options of $0.8 million relating to alternative minimum tax. Based on our tax loss carryforward position, we did not receive a tax benefit for tax deductions from options which were exercised in fiscal 2006.

20. COMMITMENTS

We lease certain plants, warehouses, terminals, office facilities, railcars and various types of equipment under operating leases, some of which include escalation clauses, with lease terms ranging from one to ten years. In addition to minimum lease payments, some of our office facility leases require payment of our proportionate share of real estate taxes and building operating expenses.

We have long-term agreements for the purchase of sulfur which is used in the production of phosphoric acid. We also have long-term agreements for the purchase of ammonia which is used with phosphoric acid to produce DAP and MAP in our Phosphates business. We have a long-term agreement for the purchase of natural gas, which is a significant raw material used in the solution mining process in our Potash segment. We also have long-term agreements for the purchase of natural gas for use in our phosphate concentrates plants. The commitments included in the table below are based on market prices as of May 31, 2008.

A schedule of future minimum long-term purchase commitments, based on May 31, 2008 market prices, and minimum lease payments under non-cancelable operating leases as of May 31, 2008 follows:

(in millions)	Purchase Commitments	Operating Leases
2009	$2,481.2	$ 36.6
2010	648.0	26.4
2011	350.3	18.2
2012	71.9	13.3
2013	19.0	5.2
Subsequent years	22.1	5.5
	$3,592.5	$105.2

Rental expense for fiscal 2008, 2007 and 2006 amounted to $58.0 million, $62.3 million and $67.3 million, respectively. Purchases made under long-term commitments were $3.1 billion, $788.0 million and $947.9 million for fiscal 2008, 2007, and 2006, respectively.

Most of our export sales of phosphate and potash crop nutrients are marketed through two North American export associations, PhosChem and Canpotex, which fund their operations in part through third-party financing facilities. As a member, Mosaic or our subsidiaries are contractually obligated to reimburse the export associations for their pro rata share of any operating expenses or other liabilities incurred. The reimbursements are made through reductions to members' cash receipts from the export associations.

Under a long-term contract with a customer, we mine and refine the customer's potash reserves at our Esterhazy mine for a fee plus a pro rata share of operating and capital costs. The contract provides that the customer may elect to receive between 0.45 million and 1.3 million tonnes of potash per year. The contract provides for a term through December 31, 2011 as well as certain renewal terms at the option of the customer, but only to the extent the customer has not received all of its available reserves under the contract. Based on our present calculations, we believe that our obligation to supply potash to the customer will expire in the fourth quarter of fiscal 2010, assuming the customer continues to take 1.1 million tonnes (which is the volume the customer has elected to take for calendar 2008) annually under the contract. The customer has expressed the view that our obligation will expire in November 2011, and we are currently in discussions to determine if a date can be mutually agreed upon by the parties. After expiration of the contract, the productive capacity at our Esterhazy mine currently used to satisfy our obligations under the contract will be available to us for sales to any of our customers at current market prices. For fiscal 2008, 2007 and 2006, sales under this contract were $91.4 million, $66.5 million and $48.6 million, respectively.

Under a long-term contract that extends through 2011 with a third party customer, we supply approximately 0.2 million tonnes of potash annually. In addition, we supply approximately 0.2 million tonnes of salt on an annual basis to a customer under a long-term contract that extends through 2013. As of the date of the Combination, these contracts reflected below market prices and we recorded a $123.7 million fair value adjustment that will be amortized into sales over the life of the contracts. For fiscal 2008, 2007 and 2006, the amortization of the fair value adjustment increased net sales by $19.4 million, $16.2 million and $16.6 million, respectively.

We incur liabilities for reclamation activities and phosphogypsum stack system closure in our Florida and Louisiana operations where, in order to obtain necessary permits, we must either pass a test of financial strength or provide credit support, typically in the form of surety bonds or letters of credit. The surety bonds generally expire within one year or less but a substantial portion of these instruments provide financial assurance for continuing obligations and, therefore, in most cases, must be renewed on an annual basis. As of May 31, 2008, we had $143.0 million in surety bonds outstanding for mining reclamation obligations in Florida and other matters. In connection with the outstanding surety bonds, we have posted $41.2 million of collateral in the form of letters of credit. In addition, we have letters of credit directly supporting mining reclamation activity of $0.9 million. The surety bonds generally require us to obtain a discharge of the bonds or to post additional collateral (typically in the form of cash or letters of credit) at the request of the issuer of the bonds.

21. CONTINGENCIES

We have described below judicial and administrative proceedings to which we are subject. These proceedings include environmental, tax and other matters. Tax matters typically relate to matters other than income taxes.

Environmental Matters

We have contingent environmental liabilities that arise principally from three sources: (i) facilities currently or formerly owned by our subsidiaries or their predecessors; (ii) facilities adjacent to currently or formerly owned facilities; and (iii) third-party Superfund or state equivalent sites. At facilities currently or formerly owned by our subsidiaries or their predecessors, the historical use and handling of regulated chemical substances, crop and animal nutrients and additives and by-product or process tailings have resulted in soil, surface water and/or groundwater contamination. Spills or other releases of regulated substances, subsidence from mining operations and other incidents arising out of operations, including accidents, have occurred previously at these facilities, and potentially could occur in the future, possibly requiring us to undertake or fund cleanup or result in monetary damage awards, fines, penalties, other liabilities, injunctions or other court or administrative rulings. In some instances, pursuant to consent orders or agreements with appropriate governmental agencies, we are undertaking certain remedial actions or investigations to determine whether remedial action may be required to address contamination. At other locations, we have entered into consent orders or agreements with appropriate governmental agencies to perform required remedial activities that will address identified site conditions. Taking into consideration established accruals of approximately $22.8 million and $16.7 million at May 31, 2008 and 2007, respectively, expenditures for these known conditions currently are not expected, individually or in the aggregate, to have a material effect on our business or financial condition. However, material expenditures could be required in the future to remediate the contamination at known sites or at other current or former sites or as a result of other environmental, health and safety matters.

Hutchinson, Kansas Sinkhole. In January 2005, a 210-foot diameter sinkhole developed at a former IMC salt solution mining and steam extraction facility in Hutchinson, Kansas. Under Kansas Department of Health and Environment (***"KDHE"***) oversight, we completed measures to fill and stabilize the sinkhole and provided KDHE information regarding our continuous monitoring of the sinkhole as well as steps taken to ensure its long term stability. Subsequent to this event, KDHE requested that we investigate the potential for subsidence or collapse at approximately 30 former salt solution mining wells at the property, some of which are in the vicinity of nearby residential properties, railroads and roadways. In response to this request, with KDHE approval, we conducted sonar and geophysical assessments of five former wells in May and June, 2008. We are currently evaluating the results of this assessment. We do not expect that the costs related to these matters will have a material impact on our business or financial condition in excess of amounts accrued. If further subsidence were to occur at the existing sinkhole, additional sinkholes were to develop or further investigation at the site reveals subsidence or sinkhole risk, it is possible that we could be subject to additional claims from governmental agencies or other third parties that could exceed established accruals, and it is possible that the amount of any such claims could be material.

EPA RCRA Initiative. The U.S. Environmental Protection Agency (***"EPA"***) Office of Enforcement and Compliance Assurance has announced that it has targeted facilities in mineral processing industries, including phosphoric acid producers, for a thorough review under the U.S. Resource Conservation and Recovery Act (***"RCRA"***) and related state laws. Mining and processing of phosphates generate residual materials that must be managed both during the operation of a facility and upon a facility's closure. Certain solid wastes generated by our phosphate operations may be subject to regulation under RCRA and related state laws. The EPA rules exempt "extraction" and "beneficiation" wastes, as well as 20 specified "mineral processing" wastes, from the hazardous waste management requirements of RCRA. Accordingly, certain of the residual materials which our phosphate operations generate, as well as process wastewater from phosphoric acid production, are exempt from RCRA regulation. However, the generation and management of other solid wastes from phosphate operations may be subject to hazardous waste regulation if the waste is deemed to exhibit a "hazardous waste characteristic." As part of its initiative, EPA has inspected all or nearly all facilities in the U.S. phosphoric acid production sector to ensure compliance with applicable RCRA regulations and to address any "imminent and substantial endangerment" found by the EPA under RCRA. We have provided the EPA with substantial amounts of information regarding the process water recycling practices and the hazardous waste handling practices at our phosphate production facilities in Florida and Louisiana, and the EPA has inspected all of our currently operating processing facilities in the U.S. In addition to the EPA's inspections, our Bartow and Green Bay, Florida facilities and our Uncle Sam and Faustina, Louisiana facilities have entered into consent orders to perform analyses of existing environmental data, to perform further environmental sampling as may be necessary, and to assess whether the facilities pose a risk of harm to human health or the surrounding environment. We may enter similar orders for some or the remainder of our phosphate production facilities in Florida.

We have received Notices of Violation (***"NOVs"***) from the EPA related to the handling of hazardous waste at our Riverview (September 2005), New Wales (October 2005), Mulberry (June 2006) and Bartow (September 2006) facilities in Florida. The EPA has issued similar NOVs to our competitors and has referred the NOVs to the U.S. Department of Justice (***"DOJ"***) for further enforcement. We currently are engaged in discussions with the DOJ and EPA. We believe we have substantial defenses to most of the allegations in the NOVs, including but not limited to, previous EPA regulatory interpretations and inspection reports finding that the process water handling practices in question comply with the requirements of the exemption for extraction and beneficiation wastes. We have met several times with the DOJ and EPA to discuss potential resolutions to this matter. In addition to seeking various changes to our operations, the DOJ and EPA have expressed a desire to obtain financial assurances for the closure of phosphogypsum management systems which may be significantly more stringent than current requirements in Florida or Louisiana. We intend to evaluate various alternatives and continue discussions to determine if a negotiated resolution can be reached. If it cannot, we intend to vigorously defend these matters in any enforcement actions that may be pursued. Should we fail in our defense in any enforcement actions, we could incur substantial capital and operating expenses to modify our facilities and operating practices relating to the handling of process water, and we could also be required to pay significant civil penalties.

We have established accruals to address the cost of implementing the related consent orders at our Bartow, Green Bay, Faustina and Uncle Sam facilities and the fees that will be incurred defending against the NOVs discussed above. We cannot at this stage of the discussions predict whether the costs incurred as a result of the EPA's RCRA initiative, the consent orders, or the NOVs will have a material effect on our business or financial condition.

Financial Assurances for Phosphogypsum Management Systems in Florida and Louisiana. In Florida and Louisiana, we are required to comply with financial assurance regulatory requirements to provide comfort to the government that sufficient funds will be available for the ultimate closure and post-closure care of our phosphogypsum management systems. The estimated discounted net present value of our liabilities for such closure and post-closure care are included in our ARO, which are discussed in Note 15 of our Consolidated Financial Statements. In contrast, the financial assurance requirements in Florida and Louisiana are based on the undiscounted amounts of our liabilities in the event we were no longer a going concern. These financial assurance requirements can be satisfied without the need for any expenditure of corporate funds to the extent our financial statements meet certain balance sheet and income statement financial tests. In the event that we are unable to satisfy these financial tests, we must utilize alternative methods of complying with the financial assurance requirements or could be subject to enforcement proceedings brought by relevant governmental agencies. Potential alternative methods of compliance include negotiating a consent decree that imposes alternative financial assurance or other conditions or, alternatively, providing credit support in the form of cash escrows, surety bonds from insurance companies, letters of credit from banks, or other forms of financial instruments or collateral to satisfy the financial assurance requirements.

In February 2005, the Florida Environmental Regulation Commission approved certain modifications to the financial assurance rules for the closure and long-term care of phosphogypsum management systems in Florida that impose financial assurance requirements which are more stringent than prior rules, including the requirement that the closure cost estimates include the cost of treating process water to Florida water quality standards. In light of the burden that would have been associated with meeting the new requirements at that time, in April 2005 we entered into a consent agreement with the FDEP that allows us to comply with alternate financial tests until the consent agreement expires (May 31, 2009, unless extended), at which time we will be required to comply with the new rules. Although there can be no assurance that we will be able to comply with the revised rules during or upon the expiration of the consent agreement, if current trends in our results of operations, cash flows and financial condition continue, we do not expect that compliance will have a material effect on our results of operations, liquidity or capital resources.

The State of Louisiana also requires that we provide financial assurance for the closure and long-term care of phosphogypsum management systems in Louisiana. Because of a change in our corporate structure resulting from the Combination, we currently do not meet the financial responsibility tests under Louisiana's applicable regulations. After consulting with the Louisiana Department of Environmental Quality (***"LDEQ"***), we requested an exemption, proposing an alternate financial responsibility test that included revised tangible net worth and U.S. asset requirements. LDEQ initially denied our request for an exemption in May 2006. We continue to pursue discussions with LDEQ including in the context of discussions with the DOJ and EPA regarding financial assurance as part of the EPA RCRA Initiative discussed above. If LDEQ does not grant the exemption, we will be required to (i) seek an alternate financial assurance test acceptable to LDEQ, (ii) provide credit support, which may include surety bonds, letters of credit and cash escrows or a combination thereof, currently in an amount of approximately $142.3 million, or (iii) enter into a compliance order with the agency. In light of our current cash balances and access to borrowings, letters of credit and surety bonds, we do not expect that compliance with current or alternative requirements will have a material affect on our results of operations, liquidity or capital resources.

Other Environmental Matters. Superfund and equivalent state statutes impose liability without regard to fault or to the legality of a party's conduct on certain categories of persons who are considered to have contributed to the release of "hazardous substances" into the environment. Under Superfund, or its various state analogues, one party may, under certain circumstances, be required to bear more than its proportionate share of cleanup costs at a site where it has liability if payments cannot be obtained from other responsible parties. Currently, certain of our subsidiaries are involved or concluding involvement at several Superfund or equivalent state sites. Our remedial liability from these sites, either alone or in the aggregate, currently is not expected to have a material effect on our business or financial condition. As more information is obtained regarding these sites and the potentially responsible parties involved, this expectation could change.

We believe that, pursuant to several indemnification agreements, our subsidiaries are entitled to at least partial, and in many instances complete, indemnification for the costs that may be expended by us or our subsidiaries to remedy environmental issues at certain facilities. These agreements address issues that resulted from activities occurring prior to our acquisition of facilities or businesses from parties including, but not limited to, ARCO (BP); Beatrice Fund for Environmental Liabilities; Conoco; Conserv; Estech, Inc.; Kaiser Aluminum & Chemical Corporation; Kerr-McGee Inc.; PPG Industries, Inc.; The Williams Companies and certain other private parties. Our subsidiaries have already received and anticipate receiving amounts pursuant to the indemnification agreements for certain of their expenses incurred to date as well as future anticipated expenditures. We considered whether potential indemnification should reduce our established accruals.

Phosphate Mine Permitting in Florida

The Ona Extension of our Florida Mines. Certain counties and other petitioners challenged the issuance of an environmental resource permit for the Ona extension of our phosphate mines in central Florida, alleging primarily that phosphate mining in the Peace River Basin would have an adverse impact on the quality and quantity of the downstream water supply and on the quality of the water in Florida's Charlotte Harbor. The matter went to hearing before an Administrative Law Judge (***"ALJ"***) in 2004 and to a remand hearing in October 2005. The ALJ issued a Recommended Order in May 2005 and a Recommended Order on Remand in June 2006. The ALJ recommended that the FDEP issue the permit to us with certain conditions which we viewed as acceptable. In the initial order, the ALJ found that phosphate mining has little, if any, impact on downstream water supplies or on Charlotte Harbor. The Deputy Secretary of the FDEP issued a Final Order in July 2006 adopting the ALJ's orders with minor modifications and directed FDEP to issue the permit. The petitioners appealed the Deputy Secretary's Final Order to the District Court of Appeal of the State of Florida, Second District. We anticipate that the permit will be upheld on appeal and that the appeal process will not adversely affect our future mining plans for the Ona extension.

The Altman Extension of the Four Corners Mine. Prior to the Combination, IMC applied for an environmental resource permit for the Altman Extension of our Four Corners mine in central Florida. Following administrative challenges by certain counties and other plaintiffs, the permit was issued in June 2006. In December 2007, the Manatee County Planning Commission, upon a recommendation in a report of the Manatee County staff, voted to recommend that the Board of County Commissioners deny authorizations required from Manatee County. We have been in discussions with the Manatee County staff, have engaged in a series of hearings with the Board of County Commissioners to address their concerns and continue to seek final permit approval. The Army Corps of Engineers issued a federal wetlands permit in May 2008.

As a large mining company, denial of the permits sought at any of our mines, issuance of the permits with cost-prohibitive conditions, or substantial additional delays in issuing the permits may create challenges for us to mine the phosphate rock required to operate our Florida and Louisiana phosphate plants at desired levels in the future.

IMC Salt Litigation

In August 2001, Madison Dearborn Partners, LLC (***"MDP"***) filed a lawsuit, Madison Dearborn Partners, LLC v. IMC Global Inc. (now known as Mosaic Global Holdings), in the Circuit Court of Cook County, Illinois alleging that Mosaic Global Holdings breached a three page non-binding letter of intent for the sale of a salt business to MDP. Mosaic Global Holdings sold the salt business to a party other than MDP in November 2001. MDP's original complaint sought in the alternative specific performance or damages in excess of $0.1 million. In October 2004, the court granted Mosaic Global Holdings' motion for partial summary judgment, ordering that the remedy available to plaintiff, should it prevail on its theory of liability, be limited to the costs plaintiff expended for the negotiation process, and not plaintiff's claim to the difference between the purchase price MDP offered for the business and the price at which Mosaic Global Holdings ultimately sold the salt business, plus lost profits of the business. In October 2004, the court denied MDP's motion for an interlocutory appeal of the order for partial summary judgment. In April 2005, MDP amended its complaint to add a new claim for fraud in addition to the existing breach of contract and promissory estoppel claims. Under its fraud claim, MDP sought reliance

damages and punitive damages. In December 2005, the court granted Mosaic Global Holdings' motion for partial summary judgment limiting damages under the fraud claim to out-of-pocket expenses that were incurred during a 36-day "exclusivity" period under the non-binding letter of intent. A bench trial was held from March 20, 2006 through April 12, 2006. At the conclusion of the trial, the judge granted Mosaic Global Holdings' motion for a directed verdict on the fraud claim. On April 11, 2007, the judge ruled in our favor on the promissory estoppel claim and in favor of MDP on the breach of contract claim, awarding MDP approximately $1.9 million in damages. We have appealed the liability finding on the breach of contract claim and MDP has appealed the partial summary judgment described above limiting the amount of damages that the plaintiff may recover. The matter will be heard by the Illinois Court of Appeals in late 2008 or early 2009. We cannot anticipate the outcome or assess the potential financial impact of this matter at this time; however, reversal of the partial summary judgment could result in a subsequent damage award that could be material. We believe that the trial court correctly decided our motion for partial summary judgment and are vigorously defending it.

Other Claims

We also have certain other contingent liabilities with respect to litigation and claims of third parties arising in the ordinary course of business. We do not believe that any of these contingent liabilities will have a material adverse impact on our business or financial condition.

22. RESTRUCTURING AND OTHER CHARGES

On May 2, 2006, we announced plans to indefinitely close three facilities in Florida, including our Fort Green phosphate rock mine, South Pierce's granular triple superphosphate (***"GTSP"***) concentrates plant and Green Bay's DAP and MAP concentrates plant in central Florida (***"Phosphates Restructuring"***). The three facilities affected by our restructuring actions, which ranked among our highest cost phosphate operations, ceased production at the end of May 2006. Minimal operations will continue at the production plants to maintain and close our phosphogypsum stacks. In response to the strong customer demand worldwide for our products, we have decided to restart one of two indefinitely closed phosphoric acid production lines at our South Pierce facility. The restart will allow us to utilize current excess granulation capacity to increase our production of DAP and MAP at our New Wales facility. The restart is expected to be operational by November 2008 for the New Wales facility production. In addition, following certain debottlenecking projects at our Riverview facility, the restart of the South Pierce facility's phosphoric acid production will permit us to increase our production of feed phosphates at our Riverview facility in calendar 2009.

We recorded $287.6 million of pre-tax restructuring charges in fiscal 2006 as a result of the Phosphates Restructuring. These charges were comprised of $16.3 million for employee separation costs covering approximately 625 production, technical, administrative and support employees in our Phosphates segment; $261.8 million for accelerated depreciation of long-lived assets (which includes $99.1 million related to additional ARO), and $9.5 million related primarily to spare parts inventory write-offs and other costs associated with the exit of certain contractual agreements due to the facility closures.

In fiscal 2007, we recorded a pension curtailment gain of approximately $1.6 million, which is further discussed in Note 18, and an additional restructuring charge of $1.2 million for individuals who elected an early out payment. In addition, we recognized restructuring charges of $2.4 million related to fixed assets previously held for sale which we determined would not be sold and a gain of $4.1 million related to revisions in estimated cash flows of ARO. As the related ARO asset does not have an estimated useful life, the amount was credited to restructuring gain. During fiscal 2007, we paid out $18.9 million related to severance, payments on construction in progress and other contractual commitments.

In fiscal 2008, we had a net restructuring loss which related to a revision in our estimated cash flows for ARO of previously closed facilities of $18.2 million. In addition, we paid out $0.4 million related to severance, final payments on construction in progress and other contractual commitments. At May 31, 2008 and 2007, we had $0 and $0.4 million accrued for restructuring and other charges.

The Company anticipates there may be additional restructuring costs in the future related to changes in estimates, including changes in the ARO, which cannot be estimated at this time.

23. RELATED PARTY TRANSACTIONS

Cargill is considered a related party due to its ownership interest in us. At May 31 2008, Cargill and certain of its subsidiaries owned approximately 64.4% of our outstanding common stock. At May 31, 2005, Cargill owned all of our Class B Common stock, which was automatically converted to common stock on July 1, 2006. We have entered into transactions and agreements with Cargill and its non-consolidated subsidiaries (affiliates), from time to time, and we expect to enter into additional transactions and agreements with Cargill and its affiliates in the future. Certain agreements and transactions between Cargill and its affiliates and us are described below.

Reimbursement of Pre-Combination Incentive Compensation

In connection with the Combination, certain former Cargill employees who became employees of ours and who held stock options and cash performance options (***"CPOs"***) granted by Cargill under its compensation plans prior to the Combination retained such awards. Liabilities associated with these stock options and CPOs were primarily related to the Cargill fertilizer businesses and assumed by us pursuant to the Merger and Contribution Agreement. With respect to our obligations, (i) our maximum aggregate reimbursement obligation to Cargill for costs associated with pre-Combination stock options and CPOs cannot exceed $9.8 million; and (ii) we have no reimbursement obligation for any pre-Combination stock option or CPO award to any former Cargill employees who are executive officers of our company. We incurred $4.6 million, $2.3 million, and $3.5 million in selling, general and administrative expenses in fiscal 2008, 2007, and 2006, respectively, calculated in accordance with SFAS No. 123R, *"Accounting for Stock-Based Compensation"*, related to these Cargill pre-Combination awards.

Special Transactions Committee and Transactions with Cargill

In connection with the Combination, we entered into an Investor Rights Agreement that includes special approval requirements for commercial and other transactions, arrangements or agreements between Cargill and us. These provisions require the approval of the transactions, arrangements or agreements by a majority of the former directors of IMC (***"IMC Directors"***) who are deemed "non-associated," or independent, unless the transactions, arrangements or agreements are exempt as described below. These independent former IMC Directors comprise the Special Transactions Committee (or ***"STC"***) of our Board. Our Board has adopted a charter for the STC which provides that the STC will oversee transactions involving Cargill with the objective that they be fair and reasonable to us. Pursuant to its charter, the STC may delegate all or a portion of its duties relating to the review and approval of proposed transactions to a committee of senior management, a subcommittee of the STC or the Chairman of the STC. The STC has approved a policy which we have implemented and refer to as the "Guidelines for Related Party Transactions with Cargill, Incorporated" (the "Guidelines"). Under these guidelines, the STC has delegated approval authority for certain transactions with Cargill to an internal committee comprised of our senior managers. The internal senior management committee is required to report its activities to the STC on a periodic basis.

Pursuant to the guidelines, both the STC and our internal senior management committee must approve the following transactions, arrangements or agreements with Cargill:

- agreements or relationships which require payment by us or Cargill of $2.0 million or more to the other party during any fiscal year;
- multi-year commitments (*i.e.*, contracts with terms of greater than one year);
- evergreen contracts (*i.e.*, contracts with annual renewal clauses or no stated contract term);
- renewals of commercial agreements previously requiring STC approval; and
- licenses or other arrangements involving any of our material intellectual property.

The review and approval of proposed transactions, arrangements or agreements which do not meet any of the criteria set forth above have been delegated by the STC to our internal senior management committee.

During fiscal 2008, we engaged in various transactions, arrangements or agreements with Cargill which are described below. The STC or our internal senior management committee have either approved or ratified these transactions, arrangements or agreements.

We negotiated each of the following transactions, arrangements and agreements with Cargill on the basis of what we believe to be competitive market practices.

Master Transition Services Agreement and Amendment; Master Services Agreement

In connection with the combination between IMC and the fertilizer businesses of Cargill, we and Cargill entered into a master transition services agreement. Pursuant to the master transition services agreement, Cargill agreed to provide us with various transition-related services pursuant to individual work orders negotiated with us. We have entered into individual work orders for services in various countries, including Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, India, Mexico, Thailand, the United States and Vietnam. Each of these work orders has been approved by the Special Transactions Committee or our internal management committee. Generally speaking, each work order is related to services provided by Cargill for its fertilizer businesses prior to the combination which were continued for our benefit post-combination. Services provided by Cargill include, but are not limited to, accounting, accounts payable and receivable processing, certain financial reporting, financial service center, graphics, human resources, information technology, insurance, legal, license and tonnage reporting, mail services, maintenance, marketing, office services, procurement, public relations, records, strategy and business development, tax, travel services and expense reporting, treasury, and other administrative and functional related services. The services performed may be modified by our mutual agreement with Cargill. The initial master transition services agreement with Cargill expired in October 2005 and was renewed through October 2006. In October 2006 Cargill agreed to continue to provide certain services to us and the parties entered into a master services agreement on terms similar to the master transition services agreement. We have renewed several work orders under which Cargill had been performing services on a transitional basis. Each of these work orders has been approved by the STC or by our internal senior management committee.

Fertilizer Supply Agreement (U.S.). We sell fertilizer products to Cargill's AgHorizons business unit which it resells through its retail fertilizer stores in the U.S. Under a fertilizer supply agreement, we sell nitrogen, phosphate and potash products at prices set forth in price lists that we issue from time to time to our customers. In addition, we may sell to Cargill certain products produced by third parties. We have also agreed to make available to Cargill AgHorizons, on regular commercial terms, new fertilizer products and agronomic services that are developed. Cargill AgHorizons is not obligated to purchase any minimum volume of fertilizer products and we are under no obligation to supply such products unless the parties agree to specific volumes and prices on a transaction-by-transaction basis. Our supply agreement is in effect until terminated by either party on three months written notice.

Fertilizer Supply Agreement (Canada) We sell fertilizer products to a Canadian subsidiary of Cargill. Cargill purchases the substantial majority of its Canadian fertilizer requirements from us for its retail fertilizer stores in Western Canada. The agreement provides that we will sell nitrogen, phosphate and potash products at prices set forth in price lists we issue from time to time to our customers. In addition, we may sell Cargill certain products produced by third parties for a per tonne sourcing fee. In exchange for Cargill's commitment to purchase the substantial majority of its fertilizer needs from us and because it is one of our largest customers in Canada, we have also agreed to make new fertilizer products and agronomic services, to the extent marketed by us, available to Cargill on regular commercial terms. We have also granted Cargill price protection against sales made to other retailers for equivalent products or services at lesser prices or rates. In addition, because of the volume of purchases by Cargill, we have agreed to pay a per tonne rebate at the end of each contract year if annual purchase volumes exceed certain thresholds. This agreement is in effect until June 30, 2010.

Phosphate Supply Agreement. We have a supply agreement with Cargill's subsidiary in Argentina for phosphate-based fertilizers. Cargill has no obligation to purchase any minimum quantities of fertilizer products from us and we have no obligation to supply any minimum quantities of products to Cargill. This agreement has been renewed through May 31, 2009.

Spot Fertilizer Sales. From time to time, we make spot fertilizer sales to Cargill's subsidiary in Paraguay. Pricing for fertilizer sales under this relationship is by mutual agreement of the parties at the time of sale. We are under no obligation to sell fertilizer to Cargill under this relationship. This agreement is in effect until December 22, 2008.

Feed Supply Agreements and Renewals. We have various agreements relating to the supply of feed grade phosphate, potash and urea products to Cargill's animal nutrition, grain and oilseeds, and poultry businesses. The sales are generally on a spot basis in Brazil, Canada, Indonesia, Malaysia, Mexico, Philippines, Taiwan, Thailand, United Kingdom, United States, Vietnam, and Venezuela. Cargill has no obligation to purchase any minimum of feed grade products from us and we have no obligation to supply any minimum amount of feed grade products to Cargill. Sales are negotiated by the parties at the time of purchase. These supply agreements are in effect until May 31, 2009.

Ocean Transportation Agreement. We have a non-exclusive agreement with Cargill's Ocean Transportation Division to perform various freight related services for us. Freight services include, but are not limited to: (i) vessel and owner screening, (ii) freight rate quotes in specified routes and at specified times, (iii) advice on market opportunities and freight strategies for the shipment of our fertilizer products to international locations, and (iv) the execution of various operational tasks associated with the international shipment of our products. We pay a fee (1) in the case of voyage charters, an address commission calculated as a percentage of the voyage freight value, (2) in the case of time charters, an address commission calculated as a percentage of the time-charter hire, and (3) in the case of forward freight agreements, a commission calculated as a percentage of the forward freight agreement notional value. Our agreement provides that the parties may renegotiate fees during its term, and the agreement is in effect until either party terminates it by providing 60 days prior written notice to the other party.

Barter Agreements. We have a barter relationship with Cargill's grain and oilseed business in Brazil. Cargill's Brazilian subsidiary, Mosaic and Brazilian farmers may, from time to time, enter into commercial arrangements pursuant to which farmers agree to forward delivery grain contracts with Cargill, and in turn, use cash generated from the transactions to purchase fertilizer from us. Similarly, in Argentina, we enter into agreements with farmers who purchase fertilizer products from us and agree to sell their grain to us upon harvest. Upon receipt of the grain, we have agreements to sell it to Cargill's grain and oilseed business in Argentina. The number of barter transactions with Cargill's subsidiaries varies from year to year. The Brazil agreement remains in effect until either party terminates it by providing 90 days prior written notice to the other party. In Argentina, the agreement is in effect until May 31, 2009.

Miscellaneous Co-Location Agreements. We have various office sharing and sublease arrangements with Cargill in various geographic locations, including with respect to certain offices in Argentina, Brazil, China, Hong Kong and the U.S.

Miscellaneous. There are various other agreements between us and Cargill which we believe are not material to us.

Summary

As of May 31, 2008 and 2007, the net amount due from Cargill related to the above transactions amounted to $12.4 million and $6.4 million, respectively.

Cargill made net equity contributions of $4.6 million, $2.3 million and $3.5 million to us during fiscal 2008, 2007 and 2006, respectively.

In summary, the Consolidated Statements of Operations included the following transactions with Cargill:

	Years Ended May 31,		
(in millions)	2008	2007	2006
Transactions with Cargill included in net sales	$299.1	$180.5	$163.5
Payments to Cargill included in cost of goods sold	228.0	71.8	165.5
Payments to Cargill included in selling, general and administrative expenses	16.1	11.4	19.9
Interest (income) expense paid to (received from) Cargill	0.2	(0.6)	(0.1)

We have also entered into transactions and agreements with certain of our non-consolidated companies. As of May 31, 2008 and 2007, the net amount due from our non-consolidated companies totaled $191.4 million and $87.0 million, respectively.

The Consolidated Statements of Operations included the following transactions with our non-consolidated companies:

	Years Ended May 31,		
(in millions)	2008	2007	2006
Transactions with non-consolidated companies included in net sales	$871.0	$455.7	$337.5
Payments to non-consolidated companies included in cost of goods sold	327.8	211.7	170.0
Interest income received from non-consolidated companies	–	–	(0.7)

24. BUSINESS SEGMENTS

The reportable segments are determined by management based upon factors such as different technologies, different market dynamics, and for which segment financial information is available.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2. We evaluate performance based on the operating earnings of the respective business segments, which includes certain allocations of corporate selling, general and administrative expenses. The segment results may not represent the actual results that would be expected if they were independent, standalone businesses.

For a description of the business segments, see Note 1. During the second quarter of fiscal 2008, we completed a strategic review in which we identified the Nitrogen business as non-core to our ongoing business. Therefore, based primarily on how our chief operating decision makers view and evaluate our operations, we have eliminated the Nitrogen business as a separate reportable segment. The results of the Nitrogen business are now included as part of Corporate, Eliminations, and Other. Accordingly, the prior period comparable results have been updated to reflect our Nitrogen business as a part of the Corporate, Eliminations and Other segment for comparability purposes. The Corporate, Eliminations and Other segment primarily represents activities associated with our Nitrogen distribution business, equity in net earnings from our 50% ownership interest in Saskferco, a Saskatchewan-based producer of nitrogen-based fertilizers and animal feed ingredients, unallocated corporate office activities and eliminations. All intersegment sales are eliminated within the Corporate, Eliminations and Other segment.

Segment information for fiscal 2008, 2007 and 2006 is as follows:

(in millions)	Phosphates	Potash	Offshore	Corporate, Eliminations and Other	Total
2008					
Net sales to external customers	$5,259.4	$2,194.5	$2,216.8	$ 141.9	$ 9,812.6
Intersegment net sales	446.8	56.7	7.0	(510.5)	–
Net sales	5,706.2	2,251.2	2,223.8	(368.6)	9,812.6
Gross margin	2,081.1	853.3	277.9	(51.8)	3,160.5
Restructuring loss	18.2	–	0.1	–	18.3
Operating earnings (loss)	1,897.1	798.6	175.4	(64.4)	2,806.7
Capital expenditures	201.2	149.5	18.2	3.2	372.1
Depreciation, depletion and amortization expense	202.3	128.5	17.8	9.5	358.1
Equity in net earnings of nonconsolidated companies	1.8	–	55.0	67.2	124.0
2007					
Net sales to external customers	$2,910.7	$1,411.9	$1,348.3	$ 102.8	$ 5,773.7
Intersegment net sales	293.2	67.0	7.3	(367.5)	–
Net sales	3,203.9	1,478.9	1,355.6	(264.7)	5,773.7
Gross margin	431.7	413.9	78.7	1.8	926.1
Restructuring gain	(2.1)	–	–	–	(2.1)
Operating earnings (loss)	311.2	368.2	(1.0)	(62.1)	616.3
Capital expenditures	136.2	135.1	11.2	9.6	292.1
Depreciation, depletion and amortization expense	185.4	119.1	15.6	9.3	329.4
Equity in net earnings of nonconsolidated companies	2.3	–	16.5	22.5	41.3
2006					
Net sales to external customers	$2,803.1	$1,111.2	$1,231.6	$ 159.9	$ 5,305.8
Intersegment net sales	294.4	44.7	7.3	(346.4)	–
Net sales	3,097.5	1,155.9	1,238.9	(186.5)	5,305.8
Gross margin	247.7	351.6	44.9	(6.8)	637.4
Restructuring loss	287.6	–	–	–	287.6
Operating earnings (loss)	(142.8)	309.8	(20.8)	(44.3)	101.9
Capital expenditures	263.8	104.0	18.2	18.4	404.4
Depreciation, depletion and amortization expense	201.7	105.8	14.1	2.5	324.1
Equity in net earnings of nonconsolidated companies	2.7	–	27.0	18.7	48.4
Total assets as of May 31, 2008	$4,266.8	$7,026.4	$1,794.3	$(1,267.7)	$11,819.8
Total assets as of May 31, 2007	3,503.0	5,798.5	994.9	(1,132.8)	9,163.6

Financial information relating to our operations by geographic area is as follows:

(in millions)	Years Ended May 31, 2008	2007	2006
Net sales[(a)]:			
Brazil	$1,663.1	$ 860.3	$746.9
India	1,412.8	554.4	696.7
Canpotex[(b)]	813.3	397.7	310.4
Canada	511.7	291.5	233.1
Australia	386.7	193.5	161.7
Japan	303.3	120.4	122.0
Argentina	239.3	180.0	194.9
Mexico	202.2	180.3	144.5
Chile	201.7	108.6	120.2
Thailand	179.5	88.7	131.1
Colombia	147.1	86.4	63.2
China	96.4	241.7	396.8
Ukraine	5.6	180.0	16.3
Pakistan	–	85.0	153.7
Other	388.9	290.9	215.4
Total foreign countries	6,551.6	3,859.4	3,706.9
United States	3,261.0	1,914.3	1,598.9
Consolidated	$9,812.6	$5,773.7	$5,305.8

(a) Revenues are attributed to countries based on location of customer.
(b) The export association of the Saskatchewan potash producers.

(in millions)	May 31, 2008	May 31, 2007
Long-lived assets:		
Canada	$3,281.9	$3,328.0
Brazil	487.4	380.5
Other	66.4	62.7
Total foreign countries	3,835.7	3,771.2
United States	3,174.6	3,436.9
Consolidated	$7,010.3	$7,208.1

Net sales by product type for fiscal 2008, 2007 and 2006 are as follows:

(in millions)	Years Ended May 31, 2008	2007	2006
Sales by product type:			
Phosphate Fertilizer	$4,996.4	$2,794.8	$2,780.4
Potash Fertilizer	2,031.6	1,295.0	968.7
Blends	1,635.6	840.7	706.8
Other	1,149.0	843.2	849.9
	$9,812.6	$5,773.7	$5,305.8

25. SUBSEQUENT EVENTS

Sale of Equity Investment

On July 14, 2008, we and the other primary investor in Saskferco announced a definitive agreement to sell Saskferco to Yara International ASA for approximately $1.6 billion. The transaction is subject to customary closing conditions, including approvals under the Investment Canada Act and the Competition Act (Canada). Closing is anticipated in the third calendar quarter of 2008. Our share of the sales proceeds from the sale of our investment in Saskferco is expected to be approximately $800 million. We currently have a balance of $31.0 million in other current assets which relates to our investment in Saskferco.

Dividend Payment

On July 15, 2008, we announced that our Board of Directors declared the Company's first quarterly dividend of $0.05 per share of our common stock. The dividend is payable August 21, 2008 to shareholders of record as of the close of business on August 7, 2008.