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NEWS

For immediate release

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Terra Capital Announces Closing of Tender Offer and Consent Solicitation for Certain of its Outstanding Notes

Sioux City, Iowa (February 5, 2007)—Terra Capital, Inc. ("Terra Capital"), a wholly-owned subsidiary of Terra Industries Inc. (NYSE: TRA), announced that payments for the 12⁷/₈% Senior Secured Notes due 2008 and 11¹/₂% Second Priority Senior Secured Notes due 2010 (collectively, the "Notes") validly tendered and not withdrawn were made on Feb. 2, 2007, the initial settlement date of the tender offer and consent solicitation for Notes tendered on or prior to 5:00 p.m., New York City time, on Feb. 1, 2007, the consent extension date. The tender offer and consent solicitation is scheduled to expire at midnight, New York City time, on Feb. 7, 2007, unless extended (the "Expiration Date"). The final settlement date with respect to Notes validly tendered and not withdrawn prior to the Expiration Date will be made promptly following such date.

A total of \$189,109,000, or 94.6% of the aggregate principal amount of the 12⁷/₈% Senior Secured Notes due 2008 and a total of \$128,800,000, or 98.1% of the aggregate principal amount of the 11¹/₂% Second Priority Senior Secured Notes due 2010, were validly tendered and not withdrawn prior to the initial settlement date.

Terra Capital received valid tenders and a sufficient number of consents to adopt the proposed amendments to the indentures governing the Notes. Such amendments were adopted on Jan. 29, 2007 pursuant to supplemental indentures entered into with the Notes trustee. The amendments to the indentures have eliminated substantially all of the restrictive covenants and certain events of default and related provisions with respect to the Notes.

Terra Capital retained Citigroup Corporate and Investment Banking to serve as dealer manager for the tender offers and consent solicitations. Global Bondholder Services Corporation is the depositary and information agent for the tender offers and consent solicitations.

Requests for documents relating to the tender offers and consent solicitations, including the Offer to Purchase, may be directed to Global Bondholder Services Corporation by telephone at 1-866-540-1500 (toll free) or 1-212-430-3774. Questions regarding the tender offers and consent solicitations may be directed to Citigroup Corporate and Investment Banking, Liability Management Group, at 1-800-558-3745 (toll free) or 1-212-723-6106 (collect).

This press release does not constitute an offer to purchase, a solicitation of an offer to purchase, or a solicitation of consents with respect to the Notes nor is this announcement an offer or solicitation of an offer to sell new securities. The tender offers and consent solicitations are made solely by means of the Offer to Purchase and Consent Solicitation Statement distributed to the holders of the Notes. No recommendation is made as to whether holders of Notes should tender their notes or give their consent.

About Terra

Terra Industries Inc., with 2005 revenues of \$1.9 billion, is a leading international producer of nitrogen products.

Forward-looking statements

This news release may contain forward-looking statements, which involve inherent risks and uncertainties. Statements that are not historical facts, including statements about Terra Industries Inc.'s beliefs, plans or expectations, are forward-looking statements. These statements are based on current plans, estimates and expectations. Actual results may differ materially from those projected in such forward-looking statements and therefore you should not place undue reliance on them. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements is set forth in Terra Industries Inc.'s most recent report on Form 10-K and Terra Industries Inc.'s other documents on file with the Securities and Exchange Commission. Terra Industries Inc. undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

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Note: Terra Industries' news announcements are also available on its website, www.terrainindustries.com.