



## Focused on Fundamentals

FACTS ABOUT TERRA INDUSTRIES INC.

### Company description

Terra Industries Inc. is a leading international producer of nitrogen products. The company employs approximately 900 people in North America and is headquartered in Sioux City, Iowa. Terra's New York Stock Exchange ticker symbol is TRA.

### Manufacturing facilities, products and capacities

Terra owns and operates six nitrogen products manufacturing facilities in Courtright, Ontario; Sioux City, Iowa; Verdigris and Woodward, Oklahoma; and Yazoo City, Mississippi. It owns a 50% interest in Point Lisas Nitrogen Limited, an ammonia manufacturing facility in the Republic of Trinidad and Tobago. This world-scale facility is one of the lowest-cost manufacturers in the western hemisphere. Terra also holds a 50% interest in GrowHow UK Limited, a nitrogen and process chemicals business in the UK.

Terra is restarting its Donaldsonville, Louisiana ammonia manufacturing facility in the 2008 third quarter. Its output replaces about 400,000 tons per year of imported product at more favorable gross margins.

Terra's manufacturing facilities have the capacity to annually produce:

- 3.3 million tons of *anhydrous ammonia*, the basic ingredient for most nitrogen fertilizers and many industrial products. Terra sells about a million tons of this ammonia as a finished product, and upgrades the rest to higher margin products.

- 3.8 million tons of *urea ammonium nitrate solutions (UAN)*, the most versatile nitrogen fertilizer in North America, which Terra sells as TerraSol®.
- 775,000 tons of *ammonium nitrate (AN)*, a popular nitrogen fertilizer in the southeastern U.S.
- 280,000 tons of *urea*.
- 40 million gallons of *methanol*, an ingredient in oxygenated fuels and a feedstock for other chemical processes, from its Woodward facility.

### Deep-water terminals

Terra's terminal assets in the U.S. Gulf make the company a competitive importer and distributor of international nitrogen products.

- The Donaldsonville, Louisiana, terminal has ready access to rail, truck, barge and ammonia pipeline transportation. The terminal includes two ammonia storage tanks, each with a capacity of 30,000 tons, and a 50,000-ton UAN solution tank.
- Terra also owns a 50% interest in the Houston Ammonia Terminal on the Houston Ship Channel near Pasadena, Texas. This facility, which has two 15,000-ton ammonia storage tanks, provides ammonia to regional industrial customers via a pipeline system capable of shipping approximately 1,000 tons per day. The terminal can receive ocean-going vessels.

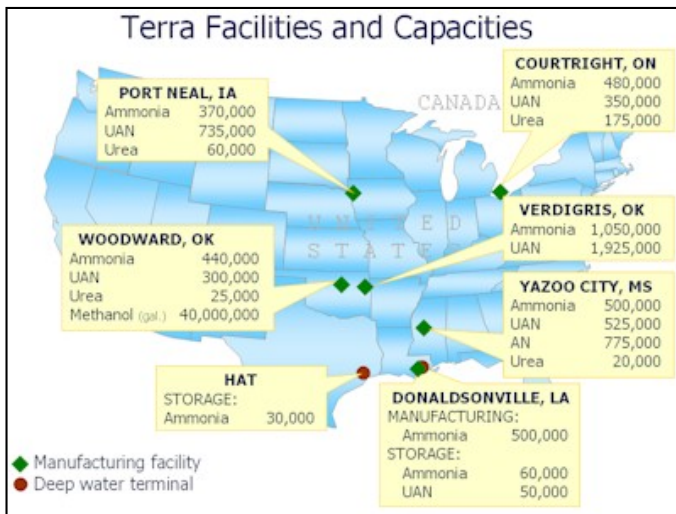
### Market leadership

Terra leads the market in the manufacture and sale of the higher-margin UAN and AN. It is the largest UAN producer in the world, with 40% of North American manufacturing capacity. Terra creates, secures and sustains its UAN market share by using its logistical advantages and promoting the benefits of TerraSol UAN.

Terra is an AN market leader in the U.S., where its Yazoo City facility has the capacity to produce 750,000 tons per year. This plant is well-located to supply the southern and southeastern U.S., where the AN market is strongest, and has convenient access to rail connections and the river system.

GrowHow UK Limited, in which Terra has a 50% interest, is the largest UK producer of AN and granular compound fertilizer with more than 40% of the total British fertilizer market. The joint venture's facilities have the capacity to produce 1.1 million tonnes of AN and .5 million tonnes of compounds in a 3.7 million-tonne market. GrowHow also supplies 200,000 tonnes of fertilizer products to Ireland.

Terra is also a leading producer of anhydrous ammonia in the U.S. and—through GrowHow UK Limited—in the UK.



Terra's manufacturing plants and terminal operations are strategically located to efficiently meet the needs of the U.S.'s major nitrogen consumption areas. The Trinidad and UK assets in which Terra holds 50% interest are also well-located to serve their markets.

## **R**ecent results

Terra posted 2008 second quarter net income of \$202 million (\$1.94 per diluted share) on revenues of \$843 million. For the 2007 first quarter, Terra posted net income of \$69 million (\$.66 per diluted share) on revenues of \$693 million.

## **F**inancial position and objectives

Terra's balance sheet at June 30, 2008 was strong. Highlights included:

(in millions)	
Net Working Capital	\$942
Common and Preferred Equity	\$1,075
Long-term Debt (due 2017)	\$330

Our ongoing financial objectives are to:

- ◆ Exert discipline in our capital program, focusing on improving efficiency and reducing costs.
- ◆ Continuously focus on low-cost production.
- ◆ Generate significant cash flow over the cycle.
- ◆ Improve margins with upgrading capacity additions.
- ◆ Ensure adequate liquidity throughout the cycle.

## **S**tock buyback

Terra's stock buyback program—instituted on April 25, 2006 and extended on May 6, 2008 through June 30, 2010—authorizes the repurchase of approximately 12.8 million shares (14 percent of Terra's current outstanding shares). At June 30, 2008, approximately 12.7 million shares remained available for repurchase under the program.

The program is conducted on the open market, in private transactions or otherwise, at such times and prices as Terra determines appropriate. Terra may commence or suspend purchases at any time without notice.

## **T**echnical products and services

The Terra Environmental Technologies (TET) division provides products and services to customers using nitrogen products to reduce nitrogen oxides (NOx), sulfur oxides and other emissions from various sources, including power plants; and in other environmental processes, such as water treatment. A new high-potential market is emerging for TET with the anticipated North American use of urea liquor to reduce off- and on-road diesel emissions, technology that is already being used in Europe. This market is being driven by the Clean Air Act, which sets limits on emissions of certain pollutants. TET allows Terra to reach a new customer base with products and services specifically tailored to meet their needs. In 2007, TET built upon its strong 2006 performance by posting an increase in revenues of 47%. Terra expects continued strong sales growth in this division.

## **S**afety and environmental record

Environment, health and safety awareness is the number one priority at Terra. This priority promotes disciplined operating and maintenance procedures, which make Terra's plants among the safest and most reliable in the industry.

Terra takes seriously our responsibilities to preserve the environment and minimize waste in all aspects of our business, and we are committing the resources to do so.

- ◆ In 2007, our environmental operating expenditures exceeded \$12.6 million, and we spent more than \$2.5 million on capital projects to improve environmental performance.
- ◆ We expect our environmental capital expenditures for 2008-2010 to approximate \$20 million, mostly for voluntary projects.
- ◆ We have reduced emissions from our U.S. facilities to the air and water by more than 70% of EPA Toxic Release Inventory (TRI) regulated substances over the past 20 years.

## **O**utlook

Terra manufactures nitrogen products that farmers need to grow crops that directly or indirectly feed the world. The demand for nitrogen products continually increases as the population grows and rising standards of living increase the demand for more, higher-protein food. Nitrogen fertilizer demand is also increased by the use of corn for ethanol production.

Terra is in an excellent position to profit from the continuing positive nitrogen products market environment, as current USDA corn and wheat data support strong futures markets for both commodities and provide opportunity for continued firm nitrogen prices and strong demand.

Longer term, nitrogen demand will continue to grow with the growing population, and as new markets for our products emerge and grow.

Natural gas is the primary feedstock for nitrogen products, and comprises a significant percentage of Terra's total costs. Although Terra manages its exposure to high natural gas costs, volatility can adversely affect the company's performance.

## **F**or more information...

To learn more about Terra Industries Inc., call Investor Relations at (712) 233-6411 or visit our website at [www.terraindustries.com](http://www.terraindustries.com).



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