

Company Description

Terra Industries Inc. is a leading North American producer and marketer of nitrogen products. The company employs approximately 938 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; Donaldsonville, Louisiana; 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'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)* (does not include new Woodward capacity). UAN is the most versatile nitrogen fertilizer in North America.
- ◆ 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.

Terra has a project underway to add 500,000 tons per year of UAN capacity at its Woodward facility. This \$180 million capital investment supports Terra's strategy of upgrading more ammonia to higher-value products. The Woodward facility currently moves a substantial portion of its output as ammonia by rail to industrial customers. By converting more of this facility's output to UAN, Terra can serve agricultural customers who are closer to the plant, and also achieve better margins. This project is scheduled for completion in late 2010.

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.

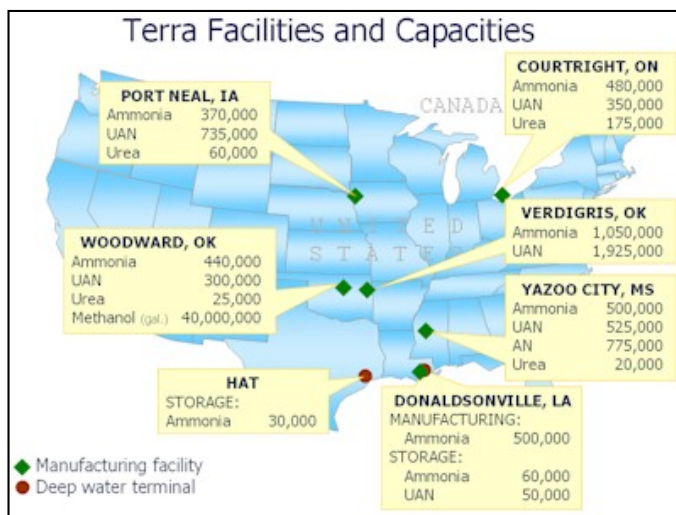
Market Leadership

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 1.2 million tonnes of AN and .7 million tonnes of compounds in a 3.7 million-tonne market.

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.

Recent Results

Terra reported adjusted income attributable to common stockholders of \$74.0 million (\$0.75 per diluted share), excluding special charges of \$77.8 million (\$0.79 per diluted share) for a quarterly loss attributable to common stockholders of \$3.8 million (\$0.04 per diluted share). This compares to income of \$164.7 million (\$1.65 per diluted share) for the same period in 2008. Special charges in the 2009 period include \$42.8 million (\$0.43 per diluted share in U.S. tax expense associated with the repatriation of funds to the U.S.; \$32.4 million, net of tax (\$0.33 per diluted share) for the early retirement of debt; and \$2.6 million net of tax (\$0.03 per diluted share) of other operating expenses related to the unsolicited proposals by CF Industries Holdings, Inc.

Financial Position

Terra's balance sheet at December 31, 2009 was strong. Highlights included:

(in millions)	
Net Working Capital	\$620
Common and Preferred Equity	\$491
Long-term Debt	\$602

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.

Technical Products and Services

Terra Environmental Technologies (TET) provides emissions control solutions, offering nitrogen-based products (reagents) and a broad range of technical, engineering and logistical services. TET serves two discrete customers: stationary and mobile. Stationary customers include coal-fired power plants and other large industries seeking to reduce NOx emissions. Mobile customers include all businesses involved in supplying diesel exhaust fluid (DEF) to consumers who use it to reduce harmful emissions from the exhaust stream of diesel engines, including automotive fluid distributors, truck stops, a variety of retail outlets and original equipment manufacturers (OEMs).

TET has been laying the groundwork for leadership in the environmental arena for some time. Significant recent accomplishments include:

- ◆ Working with the American Petroleum Institute (API) to certify the quality of TerraCair. API recognizes that our product meets the stringent quality standards that engine manufacturer service warranties require.
- ◆ Executing an agreement with Excelda Manufacturing Company for the packaging and distribution of TerraCair in package sizes of 50 gallons or less. TET now has avenues to dis-

tribute TerraCair in package sizes ranging from one-gallon containers to bulk truckloads.

- ◆ Signing DEF supply agreements with Daimler Trucks North America LLC, Volvo and Mack, and Ford Motor Company.
- ◆ Launching a new Web site at www.tet-terra.com to support TET's position as a North American emissions reduction leader.

Safety 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.

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.

Outlook

Terra expects positive fundamentals for the 2010 crop year:

- ◆ *Strong agricultural nitrogen demand*, based on:
 1. USDA projections of 86-89 million acres of planted corn;
 2. Low system-wide nitrogen inventories; and
 3. Improved buying interest and product shipments through the first quarter.
- ◆ *Strengthening nitrogen selling prices*, based on:
 1. Domestic nitrogen prices must raise to a level to attract needed imports;
 2. UAN price appreciation to reflect appropriate nutrient value and attract needed imports.

Factors that may temper the positive overall near-term outlook are:

- ◆ *Natural gas costs* have recently been moderate due to a favorable supply/demand balance, but could be affected by heating and cooling demand, production levels and unforeseen events; and
- ◆ *Unknown timing of industrial recovery*. While Terra expects a recovery in industrial ammonia demand, it is difficult to predict when the rebound may be fully realized.

For More Information...

To learn more about Terra Industries Inc., call Investor Relations at (712) 233-6411 or visit Terra's Web site at www.terraindustries.com.



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