



Focused on Fundamentals

FACTS ABOUT TERRA INDUSTRIES INC.

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 posted 2009 third quarter income of \$46 million (\$0.46 per diluted share) on revenues of \$347 million. For the 2008 third quarter, Terra posted income of \$165 million (\$1.64 per diluted share) on revenues of \$790 million.

Financial position and objectives

Terra's balance sheet at September 30, 2009 was strong. Highlights included:

(in millions)	
Net Working Capital	\$1,108
Common and Preferred Equity	\$1,257
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.

Stock 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 September 30, 2009, approximately 7.4 million shares remained available for repurchase under the program.

Technical products and services

The Terra Environmental Technologies (TET) division provides products and services to customers using nitrogen products to reduce nitrogen oxides (NOx) 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. This market is being driven by the Clean Air Act, which sets limits on emissions of certain pollutants.



TET is laying the groundwork to be the preferred provider of diesel exhaust fluid (DEF) to mobile markets. Important milestones in this arena include:

- ◆ In September 2008, TET signed an agreement with Kemira Specialty whereby Kemira granted to TET certain exclusive rights to its Denoxium® product and technology in the U.S., Canada and Mexico. The product is fully compatible and interchangeable with urea, but offers several additional benefits. Denoxium will complement TET's TerraCair Ultrapure® DEF product line.
- ◆ TET signed an agreement in December 2008 with Brenntag North America to distribute TerraCair

Ultrapure DEF. This was the first step in establishing a North American DEF supply chain infrastructure.

- ◆ In April 2009, TET signed a multi-year agreement with Excelda Manufacturing Company (Excelda) to package and distribute TerraCair Ultrapure DEF in package sizes of 50 gallons or less, and specialize in one- to 2.5-gallon containers. This allows TET to reach all segments of potential TerraCair consumers.

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.

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.

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 next crop year:

- ◆ *Strong agricultural nitrogen demand*, based on:
 1. USDA projections of 86-87 million acres of planted corn in spring 2010;
 2. Low system-wide nitrogen inventories, which will need to be restocked with higher domestic production and imports; and
 3. Improved buying interest and product shipments in preparation for spring 2010 planting.
- ◆ *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 begun to appreciate, though inventories are at record levels; and
- ◆ *Unknown timing of industrial recovery*. While Terra expects a recovery in industrial ammonia demand, it is difficult to predict when the rebound may occur.

For more information...

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



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