

# fact sheet



## Ownership and Operation

TNCLP, a Delaware limited partnership, is the sole limited partner of Terra Nitrogen, Limited Partnership (TNLP), owner of the Verdigris manufacturing facility and related assets. Terra Nitrogen GP Inc., an indirect wholly-owned subsidiary of Terra Industries Inc. (Terra), is the General Partner of TNCLP and exercises full control over all of TNCLP's business affairs.

Terra's common shares are traded under the NYSE ticker symbol TRA. In addition to TNCLP's facility, Terra owns and operates five other nitrogen manufacturing facilities in North America, and has 50% interest in a U.K. fertilizer and process chemicals business and a Trinidad ammonia plant.

## General Partner's Call Rights

At September 30, 2009, the General Partner and its affiliates owned 75.3% of the Partnership's outstanding units. When less than 25% of the issued and outstanding units are held by non-affiliates of the General Partner, the Partnership, at the General Partner's sole discretion, may call, or assign to the General Partner or its affiliates, its right to acquire all such outstanding units held by non-affiliated persons. If the General Partner elects to acquire all outstanding units, the Partnership is required to give at least 30 but not more than 60 days' notice of its decision to purchase the outstanding units. The purchase price per unit will be the greater of (1) the average of the previous 20 days' closing prices as of the date five days before the purchase is announced and (2) the highest price paid by the General Partner of any of its affiliates for any unit within the 90 days preceding the date the purchase is announced.

## Partnership description

Terra Nitrogen Company, L.P. ("TNCLP" or "the Partnership") is a major U.S. producer of nitrogen fertilizer products. TNCLP's manufacturing facility is located in Verdigris, Oklahoma. TNCLP also operates terminals in Blair, Nebraska and Pekin, Illinois. The Partnership's common units are traded under NYSE ticker symbol TNH.

## Products, facility and capabilities

TNCLP has the capacity to produce annually:

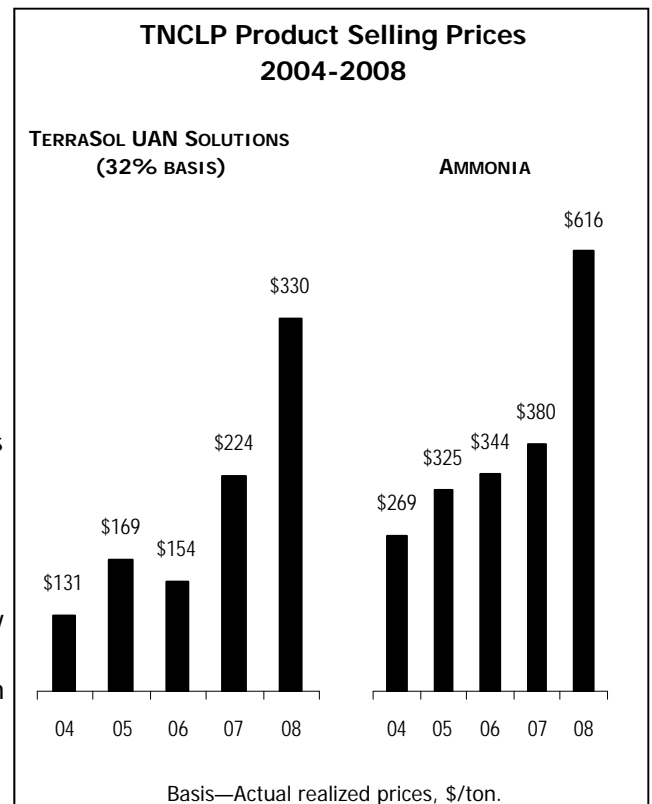
- ◆ 1.9 million tons (32% nitrogen basis) of TerraSol<sup>®</sup>, our brand of *urea ammonium nitrate solutions (UAN)*. UAN is the most versatile nitrogen fertilizer.
- ◆ 1.1 million tons of *ammonia*, the basic ingredient for most nitrogen fertilizers and many industrial products.

## Financial drivers

Factors that affect the Partnership's profitability include:

- ◆ *Natural gas costs.* In 2008, natural gas costs accounted for about 73% of the Partnership's total costs and expenses.
- ◆ *Production efficiency and reliability.* TNCLP prides itself on achieving excellent safety and environmental performance, which translates to low-cost, reliable production.
- ◆ *Ammonia and UAN selling prices.* Prices the Partnership receives for these products are heavily influenced by the global supply and demand balance for nitrogen fertilizers.

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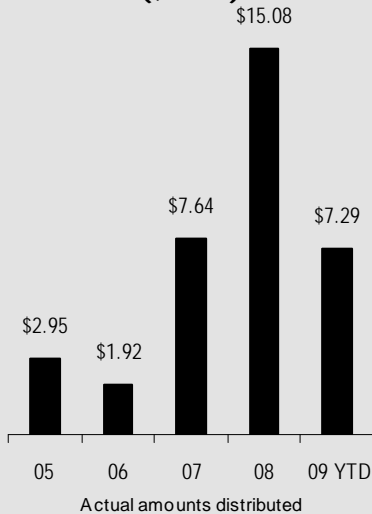


## Income Taxes and Cash Distributions to Common Unitholders

The Partnership is not subject to income taxes. Each common unitholder receives an annual return showing his/her share of TNCLP's taxable income or loss. This amount usually differs from the cash distribution, if any, each unitholder receives.

The Partnership agreement requires TNCLP to distribute each quarter 100% of its "available cash", as defined by the Partnership agreement, to unitholders and the General Partner. The amount of available cash depends on, among other factors, TNCLP's profitability, working capital changes, capital spending and expected future cash needs.

**Cash Distributions (\$/Unit)**



### For More Information...

To learn more about TNCLP, call Investor Relations at (712) 233-6411 or visit Terra's Web site at [www.terraindustries.com](http://www.terraindustries.com).



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## financial drivers (continued)

- ◆ *Market access.* While the global supply and demand balance significantly affects prices, weather and seasonality also influence the Partnership's selling prices. TNCLP's Verdigris facility is well located to serve major U.S. nitrogen-consuming areas and can access those markets by barge, rail, truck and ammonia pipeline deliveries.

## Recent results

TNCLP reported net income of \$17 million, \$12 million of which is allocable to Common Units (\$0.64 per common Unit), on revenues of \$102 million for the third quarter ended September 30, 2009. This compares with net income of \$106 million, \$63 million of which is allocable to Common Units (\$3.41 per Common Unit) on revenues of \$247 million for the 2008 third quarter. The decline was due to lower nitrogen products sales volumes and selling prices, partially offset by lower natural gas costs. The lower sales volumes and selling prices were due to continued weakness in nitrogen markets due to the general economic slowdown. The lower natural gas costs were caused by reduced demand and ample supplies.

TNCLP announced a cash distribution for the quarter ended September 30, 2009, of \$1.63 per common limited partnership unit payable November 24, 2009, to holders of record as of November 6, 2009.

## Outlook

TNCLP 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 products demand is also increased by the use of corn for ethanol production.

Natural gas is the primary feedstock for nitrogen products. Recently North American natural gas prices have been moderate due to lower demand related to the economic slowdown. Although TNCLP manages its exposure to high natural gas costs, volatility can adversely affect the Partnership's performance.

TNCLP expects positive fundamentals for the next crop year. Depleted nitrogen inventories throughout the supply chain and USDA's forecast for an 86-87 million acre 2010 U.S. corn crop support expectations for healthy spring nitrogen demand. UAN prices should gradually strengthen to reflect an appropriate nutrient value compared to other nitrogen products, and to attract needed imports to meet demand. Natural gas prices have recently begun to appreciate, though inventories remain at record levels.

Longer term, nitrogen demand will continue to increase with the growing population, and as new markets for TNCLP's products emerge and develop.

**Natural Gas Costs (\$/MMBtu)**

