



# Terra Industries Inc.

## Delivering Shareholder Value

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BMO Capital Markets  
Agriculture, Protein & Fertilizer Conference

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# Forward-Looking Statements

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Certain statements in this presentation may constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements made in connection with the exchange offer proposed by CF Industries Holdings, Inc. referred to in this presentation are not subject to the safe harbor protections provided to forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and Terra undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. Words such as “expects,” “intends,” “plans,” “projects,” “believes,” “estimates,” and similar expressions are used to identify these forward-looking statements. These include, among others, statements relating to:

- changes in financial markets,
- general economic conditions within the agricultural industry,
- competitive factors and price changes (principally, sales prices of nitrogen and methanol products and natural gas costs),
- changes in product mix,
- changes in the seasonality of demand patterns,
- changes in weather conditions,
- changes in environmental and other government regulation, and
- changes in agricultural regulations.

Additional information as to these factors can be found in Terra’s 2008 Annual Report/10-K, in the sections entitled “Business,” “Legal Proceedings,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in the Notes to the consolidated financial statements.

# Important Additional Information

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## Important information and where to find it

On May 8, 2009, Terra filed with the Securities and Exchange Commission (the "SEC") a revised preliminary proxy statement in connection with its 2009 Annual Meeting, which is available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov) and Terra's website at [www.terraindustries.com](http://www.terraindustries.com). Terra plans to file with the SEC and mail to its shareholders a definitive proxy statement in connection with its 2009 Annual Meeting. **Investors and security holders are urged to read the revised preliminary proxy statement, which is available now, and the definitive proxy statement relating to the 2009 Annual Meeting and any other relevant documents filed with the SEC when they become available, because they will contain important information.** Investors and security holders may obtain a free copy of the definitive proxy statement and other documents (when available) that Terra files with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov) and Terra's website at [www.terraindustries.com](http://www.terraindustries.com). In addition, the definitive proxy statement and other documents filed by Terra with the SEC may be obtained from Terra free of charge by directing a request to Terra Industries Inc., Attn: Investor Relations, Terra Industries Inc., 600 Fourth Street, P.O. Box 6000, Sioux City, IA 51102-6000.

This presentation is neither an offer to purchase nor the solicitation of an offer to sell any securities. In response to the exchange offer proposed by CF Industries Holdings, Inc. referred to in this presentation, Terra has filed a Solicitation/Recommendation Statement on Schedule 14D-9 with the SEC. **Investors and security holders are urged to read the Solicitation/Recommendation Statement on Schedule 14D-9 because it contains important information.** Investors and security holders may obtain a free copy of the Solicitation/Recommendation Statement on Schedule 14D-9 and other documents that Terra files with the SEC in connection with the exchange offer at the SEC's Web site at [www.sec.gov](http://www.sec.gov) and Terra's Web site at [www.terraindustries.com](http://www.terraindustries.com). In addition, the Solicitation/Recommendation Statement on Schedule 14D-9 and other documents filed by Terra with the SEC in connection with the exchange offer may be obtained from Terra free of charge by directing a request to Terra Industries Inc., Attn: Investor Relations, Terra Industries Inc., 600 Fourth Street, P.O. Box 6000, Sioux City, IA 51102-6000.

# Important Additional Information (cont'd)

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## Certain information concerning participants

Terra, its directors, executive officers and certain employees specified in Annex A to Terra's revised preliminary proxy statement for the 2009 Annual Meeting, which was filed with the SEC on May 8, 2009, are participants in the solicitation of Terra's security holders in connection with its 2009 Annual Meeting. Security holders may obtain information regarding the names, affiliations and interests of such individuals in Terra's Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the SEC on February 27, 2009 and amended on April 28, 2009, and its revised preliminary proxy statement for the 2009 Annual Meeting, which was filed with the SEC on May 8, 2009. To the extent holdings of Terra securities have changed since the amounts printed in the revised preliminary proxy statement for the 2009 Annual Meeting, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Additional information regarding the interests of such individuals can also be obtained from the revised preliminary proxy statement relating to the 2009 Annual Meeting, which is available now, and the definitive proxy statement relating to the 2009 Annual Meeting when it is filed by Terra with the SEC. These documents (when available) may be obtained free of charge from the SEC's Web site at [www.sec.gov](http://www.sec.gov) and Terra's Web site at [www.terraindustries.com](http://www.terraindustries.com).

# Terra is a strong investment proposition

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The leading pure play nitrogen producer with focus on more stable, higher margin products

Track record of using cash to add value

Well positioned to capture growth



Solid liquidity position

Strong nitrogen industry fundamentals

Experienced management team with track record of delivering shareholder value

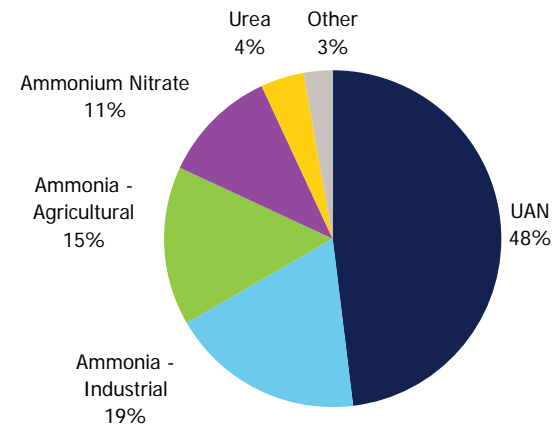
Strong financial position

# The leading pure-play nitrogen company with focus on more stable, higher margin products

- Leading pure play producer of nitrogen fertilizer
- Serves both agriculture and more stable industrial customers
- Upgrades significant portion of ammonia capacity to higher value-added products
- Focus on higher margin products vs. ammonia and urea
- Facilities ideally located to take advantage of low-cost natural gas and favorable transportation costs

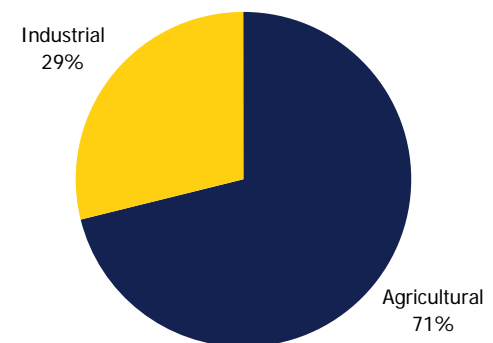
Source: Terra management.

### 2008 product mix by revenue



2008 revenue: \$2,891 million

### 2008 customer mix by revenue

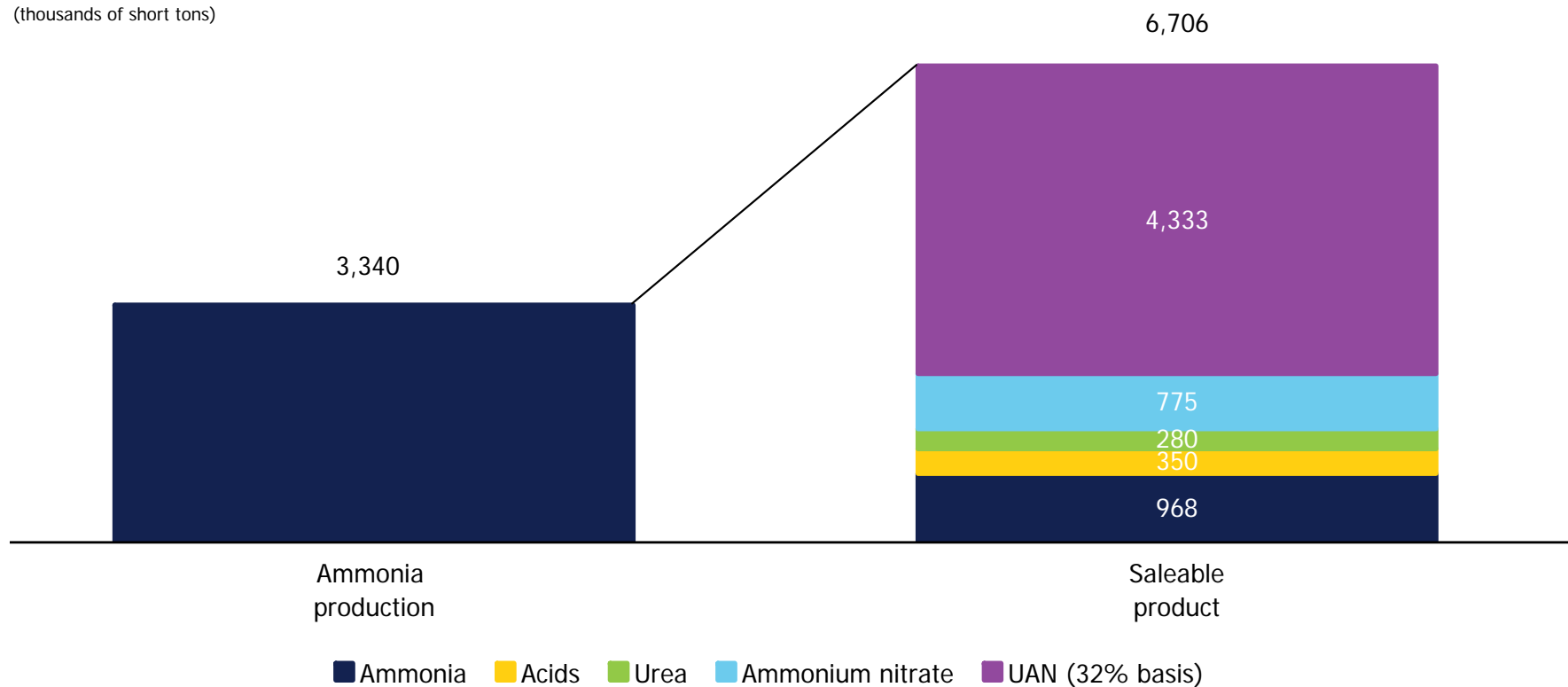


2008 revenue: \$2,891 million

# Well positioned to capture growth

## Upgrading enables greater growth and is designed to add value

(thousands of short tons)



**Terra upgrades a significant portion of its ammonia capacity to leverage exposure to faster growing, higher margin products**

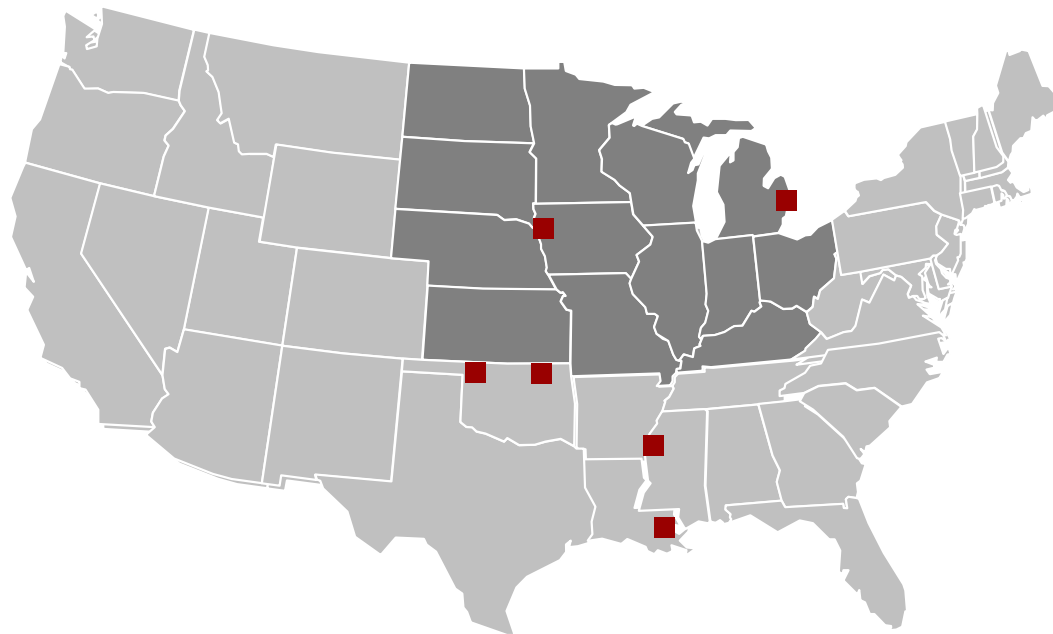
Source: Terra management.

Notes: At 100% capacity.

Includes additional Woodward UAN capacity (planned by end of 2010).

Excludes Trinidad and UK joint ventures.

# Terra is exposed to advantaged geographies and feedstocks



■ Terra Production

- Terra has deliberately located its core manufacturing assets away from the U.S. Gulf Coast, where import competition is most severe
- 65% of Terra's total ammonia production volume is located inland or in gas advantaged regions

United Kingdom



Trinidad and Tobago



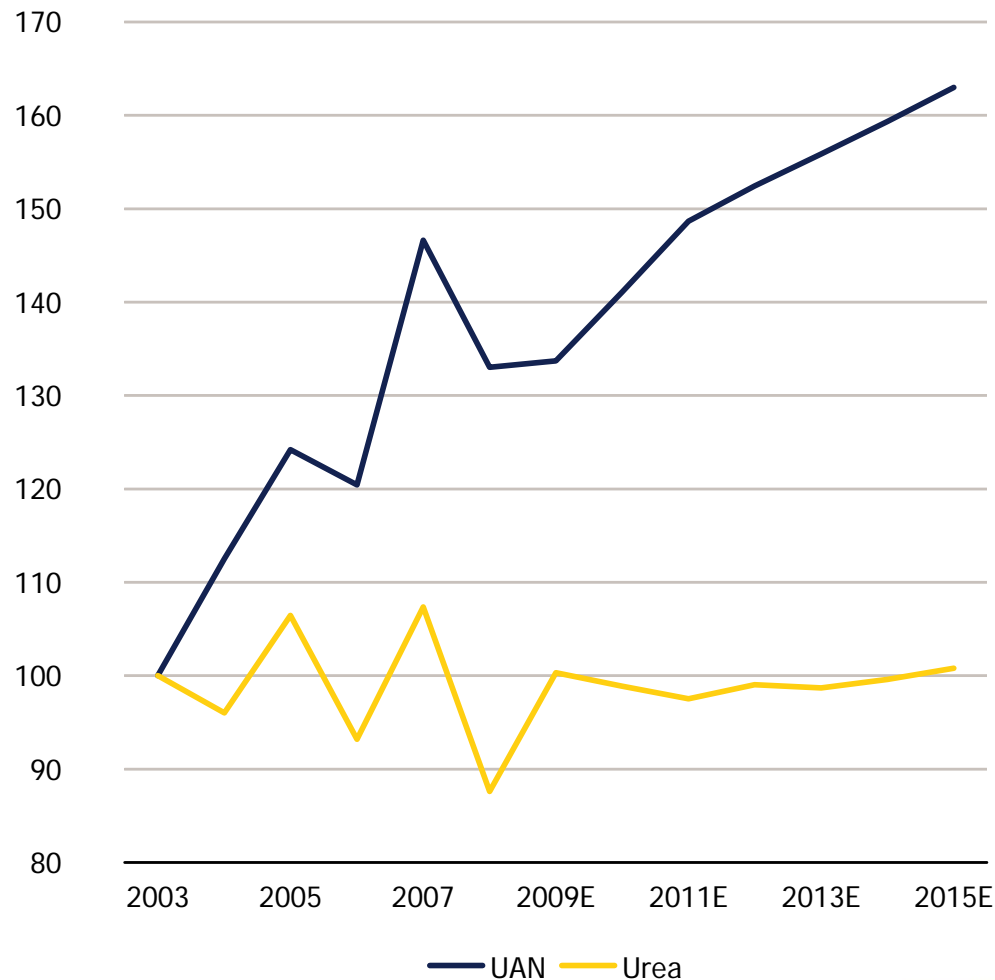
Terra's production is ideally situated to serve the Cornbelt

Note: Shaded states indicate Cornbelt.

# Well positioned to capture growth

## Increased exposure to UAN

Indexed North America UREA & UAN Volume (2003 = 100)  
(consumption + exports)



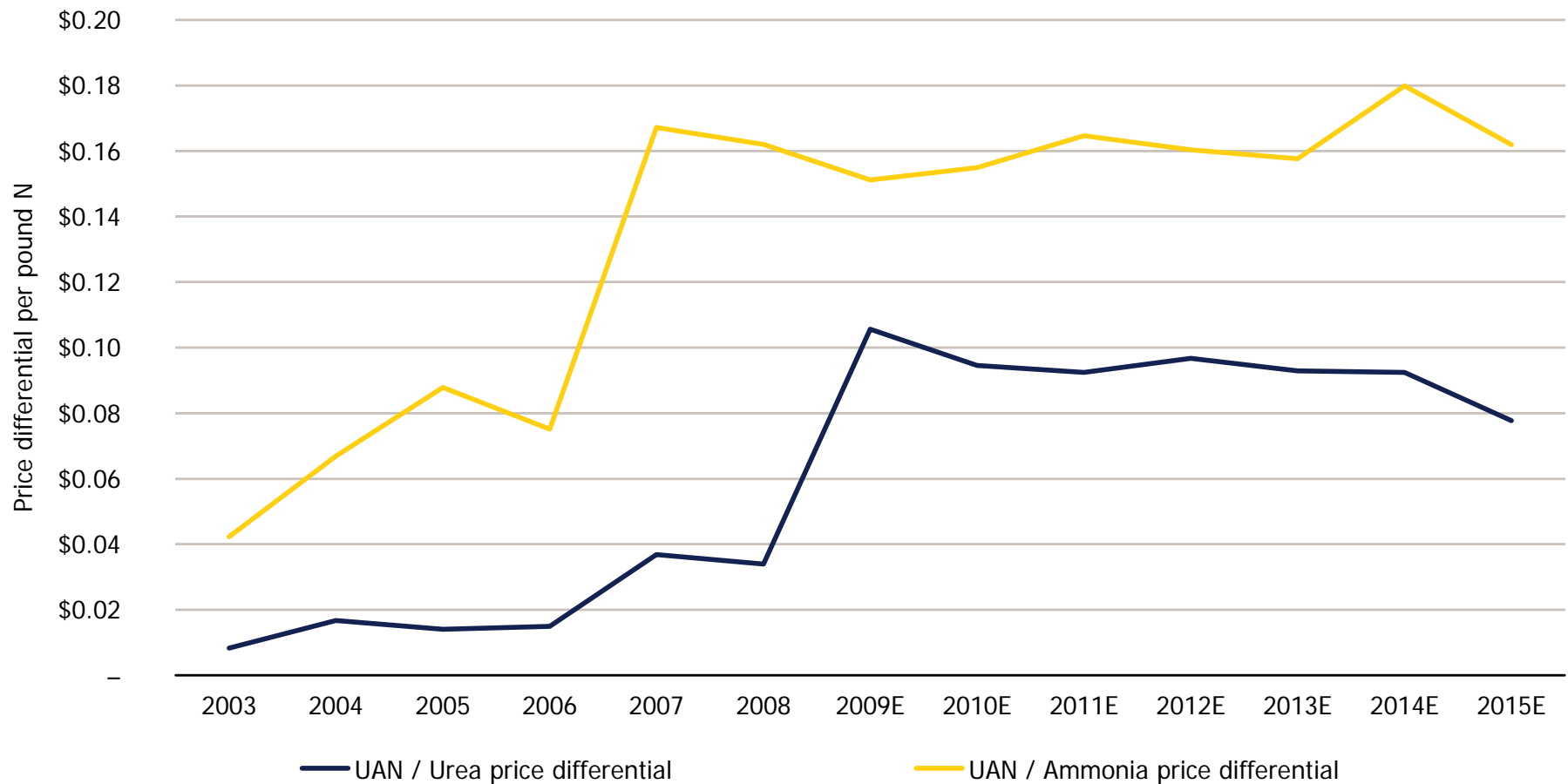
Source: Fertecon.

- Expanding Woodward facility UAN capacity from 300,000 tons to 825,000 tons
  - Positions Terra to take advantage of continued growth in UAN
- UAN is the fastest growing nitrogen sub-sector in North America
- Terra Environmental Technologies is focused on liquid urea sales into the fast-growing environmental sector

# Well positioned to capture growth

## UAN commands a premium

Price differentials — UAN / UREA and UAN / Ammonia



UAN margin contribution is significantly higher than that of urea

Source: Blue, Johnson & Associates.

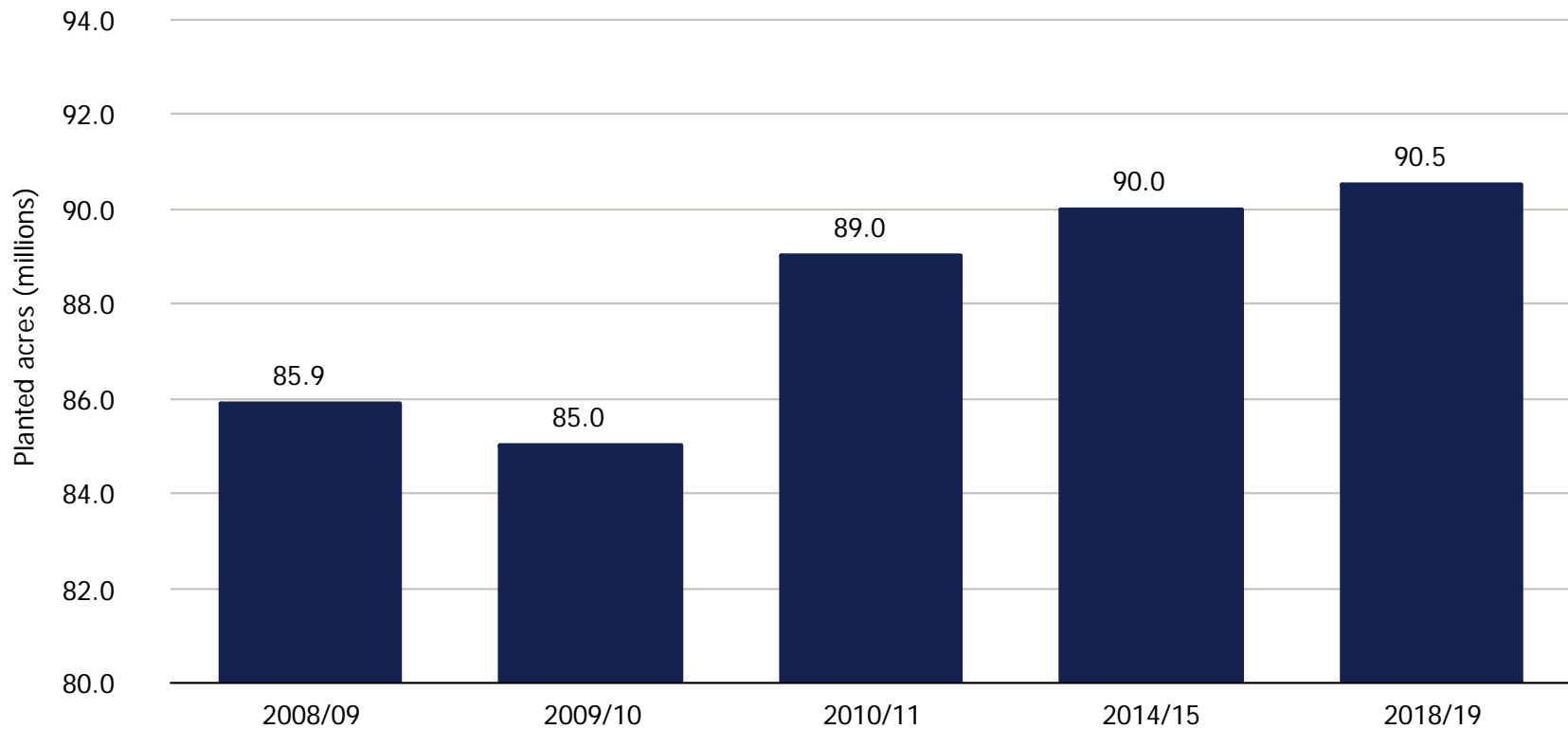
# Strong nitrogen industry fundamentals

Agricultural business is projected to grow over the next 10 years

- Nitrogen is required each year to fertilize crops, unlike phosphate and potash, whose application can be discretionary

## Planted acres of corn

(acres in millions)



Nitrogen consumption is expected to be robust, driven by planted acres of corn

Source: USDA.

# Strong nitrogen industry fundamentals

## Stable margin industrial and growing environmental businesses

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### Industrial Chemicals

- Leading North American producer of ammonia and derivatives such as:
  - Ammonium nitrate as a blasting product for mining applications
  - Nitric Acid as a raw material for nylon fibers, polyurethane foams, specialty fibers, and other nitrogen products

Stable margin business

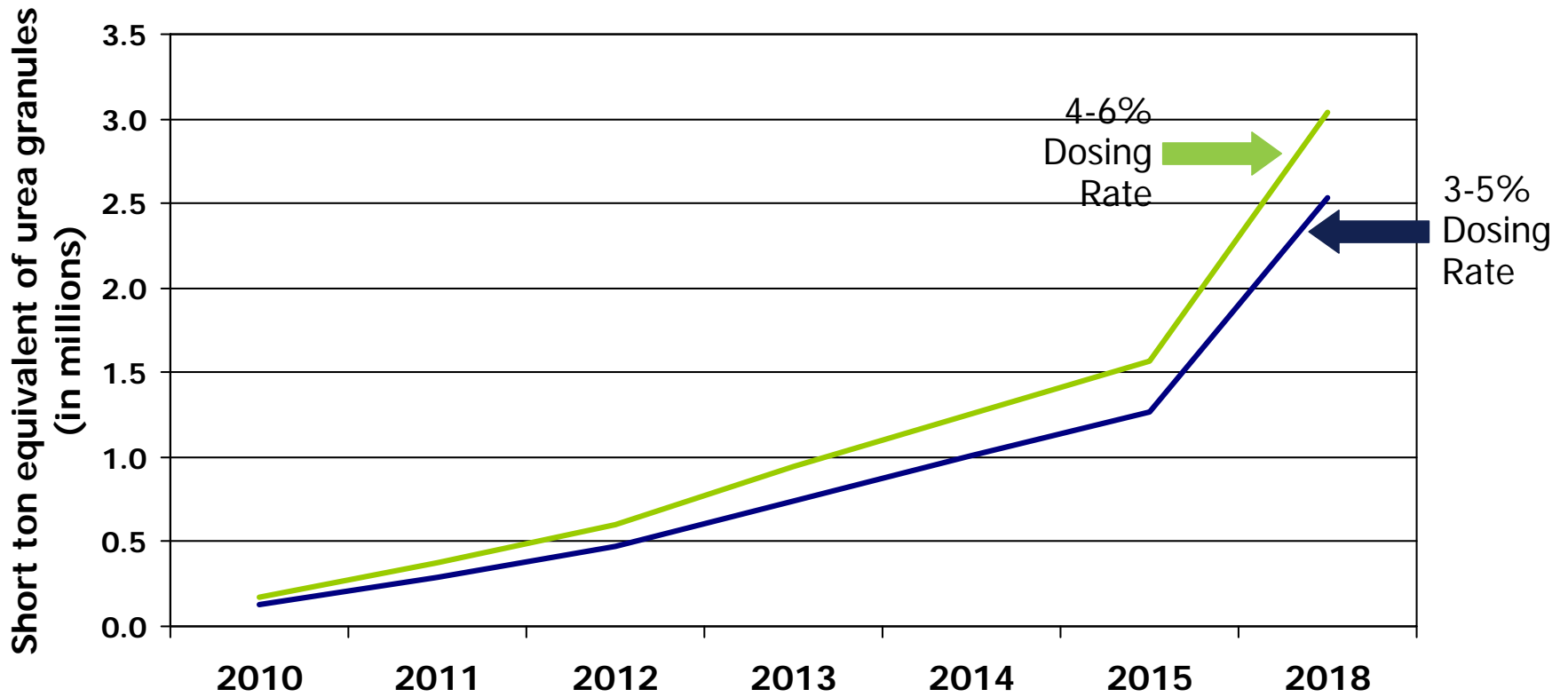
### Environmental Technologies

- Leader in NOx abatement reagents
- The leading North American diesel exhaust fluid (“DEF”) producer
- Dedicated DEF production capacity
- Dedicated technical team
- Full supply chain oversight

Growth driven by increased emission reduction requirements

# Projected DEF volumes are encouraging

## DEF Volumes 2010-2018



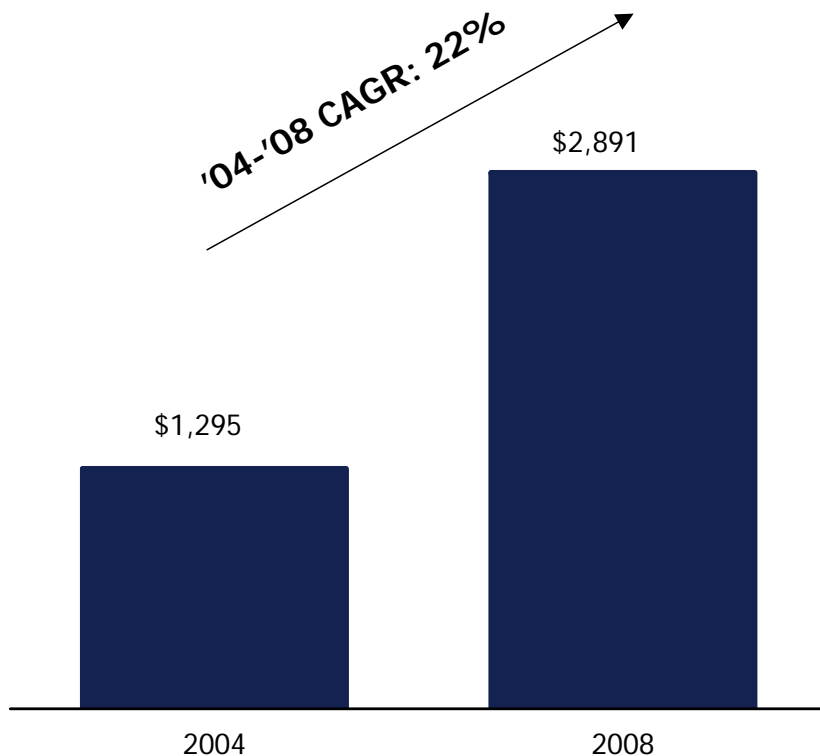
Source: Terra management.  
Based on diesel gallons consumed.

# Strong financial position

## Track record of financial performance

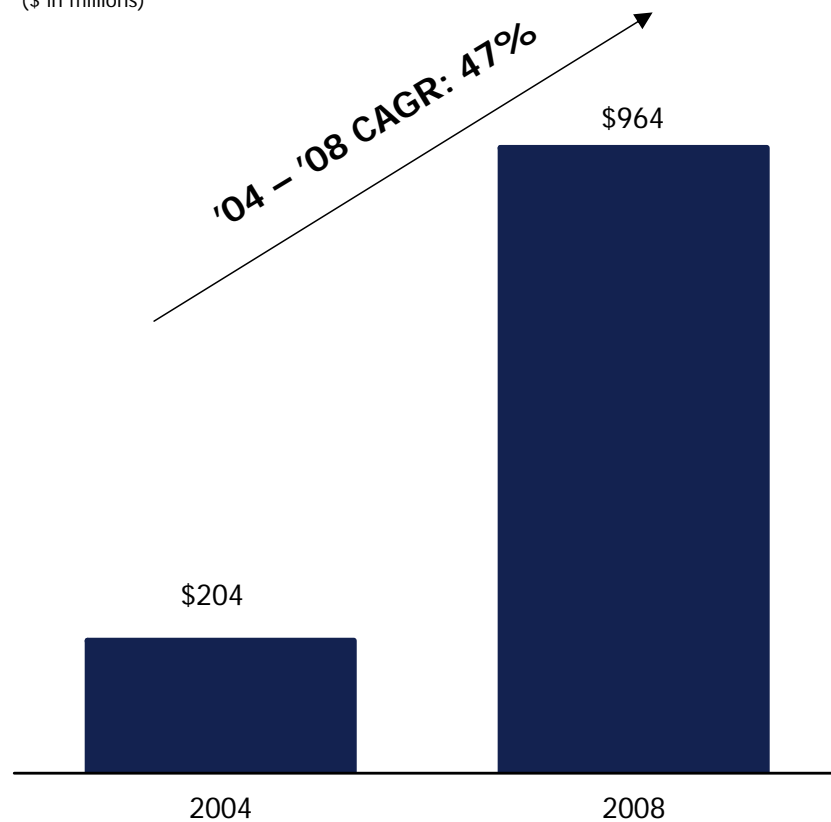
### Total revenue

(\$ in millions)



### EBITDA

(\$ in millions)



Source: Terra management. Figures as reported.

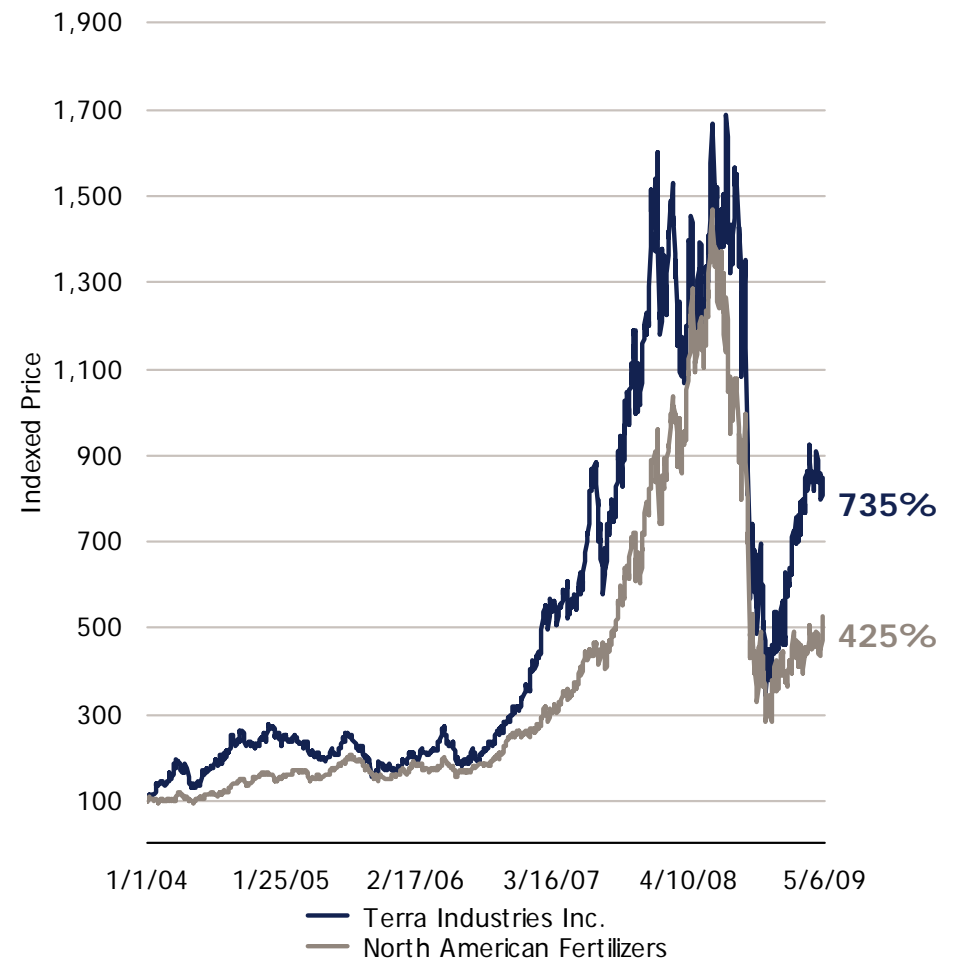
Note: See EBITDA reconciliation to net income on Slide 23 and GAAP Reconciliation Disclosure on Slide 22.

# Experienced management team with track record of actively delivering shareholder value

## Track record of creating shareholder value through:

- Increase upgrading capacity at existing facilities
- Expand business lines that generate predictable margins/decrease volatility in business model:
  - Terra Environmental Technologies
  - Yazoo City modifications/Orica agreement
  - Deepwater terminals
- Divesting non-core assets
  - Blytheville terminal
  - Beaumont methanol
- Proven ability to execute external growth opportunities
  - Mississippi Chemical acquisition
  - UK joint venture with Kemira
  - ICI UK acquisition
  - Agriculture, Minerals & Chemicals (AMC) acquisition

## Total shareholder return



Source: Factset.  
 Note: Dividends included on ex-date.  
 North American Fertilizer index is market cap weighted and includes Agrium, CF Industries, Mosaic, Intrepid Potash and PotashCorp.

# Solid liquidity position

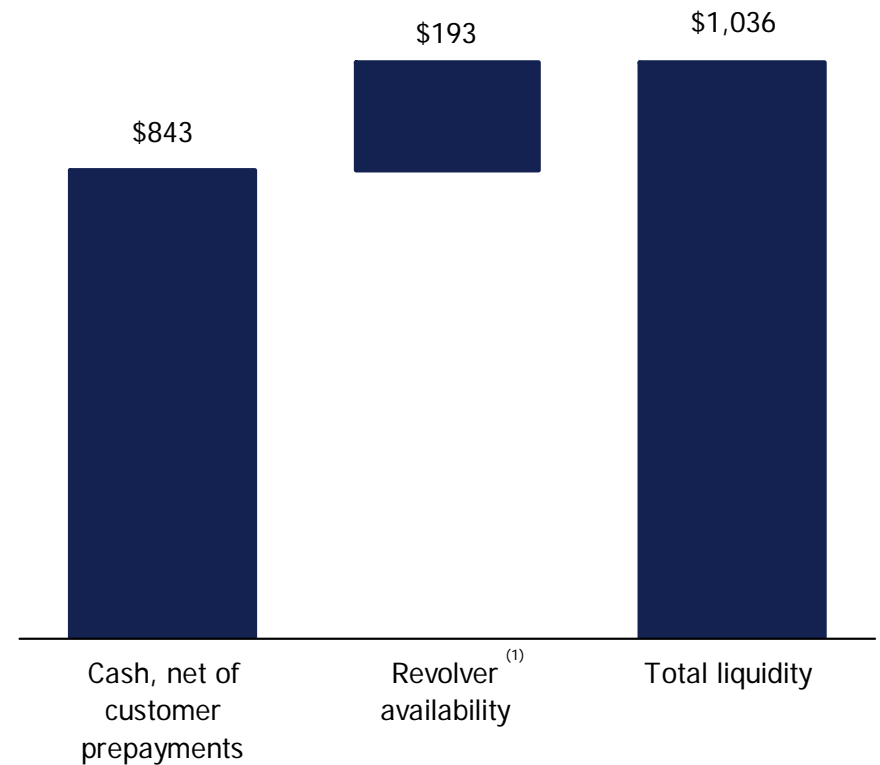
## Financial objectives

- Pursue a disciplined capital program, focused on:
  - Improving efficiency
  - Reducing costs
- Continuously focus on low-cost production
- Generate significant cash flow over the cycle
- Ensure adequate liquidity through the cycle
- Strong balance sheet in a credit constrained market

## Liquidity position (03/31/09)

(\$ in millions)

- No illiquid or auction rate securities

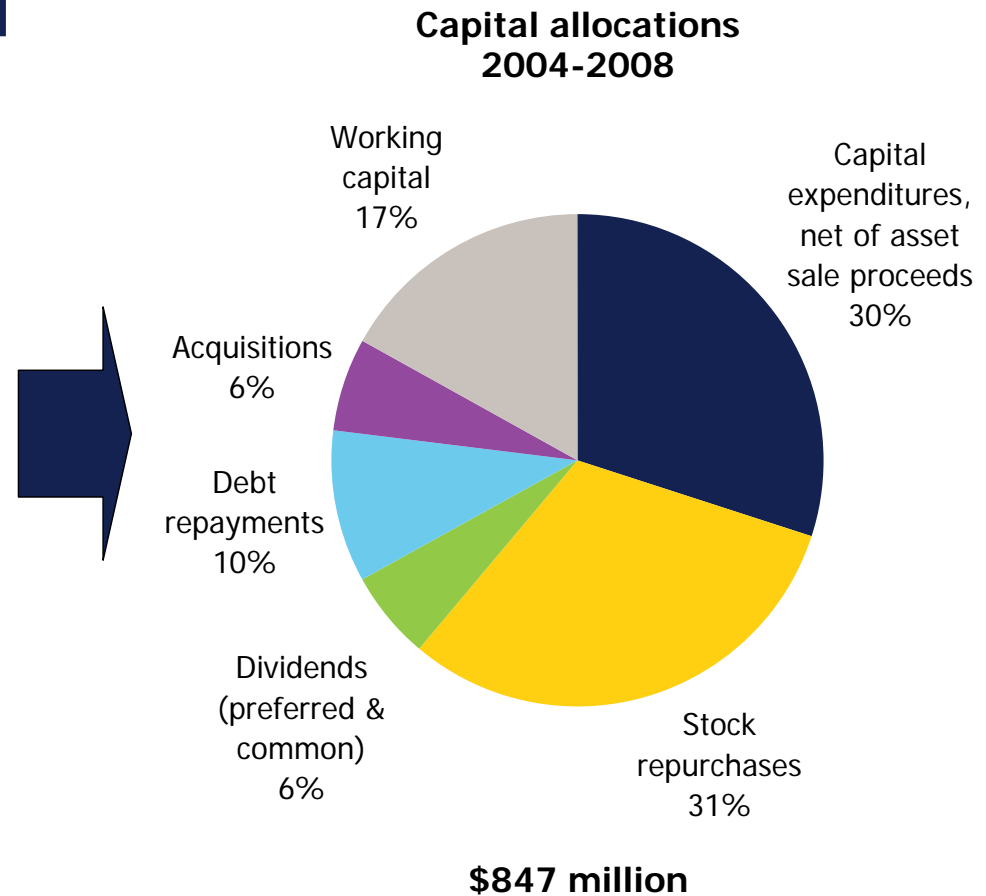


Source: Terra management.  
(1) Net of \$6.6 million L/Cs.

# Track record of using cash to add value

## Recent and future initiatives

- Woodward UAN capacity expansion
  - Improves long-term earnings
- Expanded/extended share buyback
  - At March 31, 2009, 7.4 million shares remained available under the 12.8 million share buyback program
- Restarted idled Donaldsonville facility
- Instituted quarterly 10¢ common share dividend
- Potential opportunities
  - Continue to evaluate projects to increase upgrading capacity at additional Terra facilities
  - Continue to invest in efficiency
  - Always open to acquisition opportunities consistent with our strategy



Source: Terra management.

# Terra's strategy is right for the current environment and for potential future cycles

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## Terra's strategy for managing the current environment

- Manage production to meet demand, control inventories
- Leverage advantageous gas pricing in energy markets
- Use cash reserves to reinvest in the Company through capital projects and/or strategic opportunities

## Why we're optimistic

- Farm incomes are projected to remain strong
- Agriculture fundamentals remain positive
  - Global population and demand for more protein continues to grow
  - Global grain inventories are low
- Terra's industrial business focuses on mining, power generation and government-mandated emissions reduction, so is somewhat insulated from effects of an economic slowdown
- Competitors are now even less likely to build new capacity due to uncertain economic outlook and significant differential between cost to buy vs. build
- Terra is well-positioned throughout industry cycles
  - North American assets have competitive advantages in natural gas and freight costs
  - Terra is financially solid
  - Management has successfully navigated the Company through previous cycles

# Improved outlook for remainder of 2009

**Terra is well-positioned to benefit from positive fundamental drivers in the nitrogen industry through 2009.**

- We start with:
  - \$1 billion of cash and deposits ← Substantial cash position provides flexibility to pursue opportunities that support our strategy, enhance shareholder return.
  - Reasonable product inventories ← Curtailed production in late Q408/early Q109 to manage inventories.
  - Strong TET sales into industrial and environmental markets ← Stable platform for continued counter-cyclical growth.
  - Lower tax rate (30-32%) ← Reflects effective execution of tax strategy.
- In Q2/09 we expect:
  - Improved sales volumes ← Comparable to Q2/08. USDA forecasts 85 million planted acres of corn, favoring higher-margin UAN.
  - Lower natural gas costs ← Unit costs should decline, following Q109 settlement of derivative positions carried from 2008.
- In H2/09 we expect:
  - Improved N fertilizer demand; sales volumes comparable to those of the past two years ← Reduced global grain production this crop year bodes well for strong N fertilizer demand and sales volumes for the balance of 2009.
  - Improved industrial demand ← Anticipate demand recovery as the global economy begins to recover.
  - Continued moderate natural gas prices ← Prices affected by ample supplies and continued weak industrial demand for gas.

# Terra will deliver value for its shareholders

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Pure play focus on nitrogen products

Product mix oriented to the growth trends in upgraded products for agricultural and industrial businesses

Environmental Technologies business, which is uniquely positioned for revenue and margin growth

Sufficient scale to efficiently manage supply in the context of demand fluctuations

Diverse customer and business mix without significant customer or business concentrations

Geographic asset diversification and lower transportation costs to end-users

Strong balance sheet with cash reserves

# Conclusion: Terra is a strong investment proposition

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The leading pure play nitrogen producer with focus on more stable, higher margin products

Track record of using cash to add value

Well positioned to capture growth



Solid liquidity position

Strong nitrogen industry fundamentals

Experienced management team with track record of delivering shareholder value

Strong financial position



# Questions and Answers

# GAAP Reconciliation Disclosure

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Terra prepares its financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). However, management believes that certain non-GAAP financial measures used to manage Terra's business that fall within the meaning of Regulation G (Disclosure of Non-GAAP Financial Measures) of the SEC may provide users of the financial information with additional meaningful information.

Terra has provided EBITDA and adjusted nitrogen earnings, which are non-GAAP financial measures. Terra's management evaluates its business and makes certain operating decisions using these adjusted numbers.

A reconciliation between GAAP and the non-GAAP measure is provided. These non-GAAP measures should not be considered a substitute for GAAP measures.

# EBITDA Reconciliation

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## Terra Industries

(\$ in millions)

	2004	2008
Net income (loss) from continuing operations	\$66	\$633
(+) Income tax provision (benefit)	(0)	240
(-) Interest income	(3)	(23)
(+) Interest expense	53	27
(+) Depreciation and amortization	89	88
EBITDA	\$204	\$964

Source: Terra management.