TERRA INDUSTRIES INC
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Subject Company:

Terra Industries Inc.

CF Industries Holdings, Inc. will host a conference call with analysts and investors at 10:00am ET / 9:00am CT on Wednesday, August 5, 2009. A copy of the presentation that will be used in connection with the conference call follows:

- Good morning, I m Chuck Nekvasil, and I m here with Steve Wilson, our Chairman and Chief Executive Officer, and Tony Nocchiero, our Chief Financial Officer

- We re here to discuss the news release CF Industries issued earlier this morning detailing the proposed changes to our offer for a business combination with Terra Industries Inc., recently approved by our Board of Directors

- As you read our news release and listen to this conference call, please recognize that both contain forward-looking statements within the meaning of federal securities laws

- All statements in these, other than those relating to historical information or current condition, are considered forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control and which could cause actual results to differ materially from such statements

- These risks and uncertainties include those spelled out in the safe harbor statement included in the news release. Consider all forward-looking statements in light of those and other risks and uncertainties, and do not place undue reliance on any forward-looking statement

- Please also review this additional information relating to our intention to file a proxy statement and other relevant materials in connection with the solicitation of proxies for the 2009 Annual Meeting of Stockholders of Terra Industries Inc.

Now, let me introduce Steve Wilson, our Chairman and Chief Executive Officer

Thanks, Chuck, and thank you, ladies and gentlemen, for joining us this morning

In today s call, we ll open with a brief review of CF Industries strong second quarter performance

After that, we ll discuss our proposal to increase CF Industries offer for a business combination with Terra Industries a proposal we believe provides a compelling opportunity to create substantial additional value for shareholders of both companies

Later, we ll open the call to your questions

As you can see on Slide 5, CF Industries delivered what has been described as a blow-out performance in 2009 s second quarter

I know many of you were on our conference call last week, but it s worth repeating that we delivered net earnings of $213 million, or $4.33 per diluted share, to our shareholders totals that compare very favorably to the record second quarter we posted in 2008

We generated nearly $384 million in EBITDA again, comparing very well to 2008 s record second quarter

And, as we ll discuss in more detail in just a minute, our net cash increased by more than $445 million

On Slide 6, we ve highlighted some of the underlying strengths and capabilities of CF Industries that delivered this strong performance

Our **nimbleness** in reacting to challenging market conditions, exporting a record 359,000 tons of phosphate when we saw soft conditions in the domestic market

Our **competitiveness**: the new global paradigm in natural gas has made us competitive in global export markets for both UAN and Urea

Our focus on **margin management**: our ability to sell higher-margin forward-priced product during 2009 s first half was the result of a strategic decision, made last year, to lock in margins that we found very attractive By the same token, we made a strategic decision in the second quarter not to lock in significant forward sales for 2009 s second half, because we didn t like the margins available

And, of course, our **customer mix:** we benefited from our well-established ability to profitably serve agricultural markets

Moving to Slide 7, you can see that CF Industries strong Q2 performance led to a substantial increase in our net cash position

Net cash increased by approximately $9 per share during the quarter

Currently, the company has approximately $17 per share in net cash

And if you consider our investment in auction rate securities and, as we ve said, we expect to recover the full value of this investment our total net cash resources currently stand at $983 million, or about $20 per common share

Looking ahead, as we explain on Slide 8, we think there s an opportunity for good fall 2009 and spring 2010 fertilizer movement

The inventory overhang that reduced sales at the manufacturer level this spring at least for nitrogen and phosphate seems to have worked its way through the system

Prices have stabilized and begun to strengthen for nitrogen

There are, of course, wild cards, but all in all, we re cautiously optimistic about this fall and certainly optimistic about longer-term prospects in agricultural and industrial markets

Our strong second quarter results and our outlook for the future of nitrogen and phosphate production make the combination we ve proposed with Terra Industries even more compelling for the shareholders of both companies

So let s talk about our proposal to increase CF Industries offer for that business combination

Looking at Slide 10, we expect that today we will have satisfied the regulatory conditions with respect to our proposed business combination with Terra Industries and will be in a position to close a transaction promptly

From the start, the logic behind our proposed combination with Terra has received strong support from holders of both companies

As you d expect, many of those holders have reached out to us, sharing their views on valuation, deal structure, and terms

In light of their feedback, the continued performance and financial strength of CF Industries, and the potential to add significant value for Terra and CF Industries shareholders, our board of directors is prepared to increase its offer for Terra Industries

§ On slide 11 you can see the key terms of our proposal

§ The all-stock nature of the offer will allow shareholders of both Terra and CF Industries to participate ratably in the growth and long-term value creation potential of the combined company, including the significant synergies

§ We would agree to negotiate a merger with Terra at an exchange ratio of 0.4650x CF shares for each Terra share

§ This represents a 35% premium to the exchange ratio on 1/15/09, the day CF announced its initial proposal for Terra, a 38% premium to the 1-year average exchange ratio prior to 1/15 and a 31% premium to the average exchange ratio during the last 3 months

§ Terra shareholders would own ~49% of the combined company, CF shareholders ~51%

§ In addition, 5MM Contingent Future Shares, or CFs , with a conversion price of $115 would be distributed to CF shareholders just prior to the merger, but more on that in a moment

§ At 6/30/09, the combined CF/Terra would have had approximately $2.1Bn in total cash. Under our proposal, the combined company would repurchase at least $1Bn worth of shares after the merger has closed. The combined company would continue to have a strong balance sheet featuring no leverage and a strong cash position

§ We would welcome having a number of Terra s directors on the board of the combined company. We look forward to Mike Bennett being one of those directors and having him continue to serve in a senior executive capacity, working closely with me to manage the combined company

§ Slide 12 demonstrates that our proposed exchange ratio represents a very attractive premium to Terra shareholders, representing a 35% premium to the January 15th exchange ratio, the day of our original proposal, and a 38% premium to the 1-year average exchange ratio prior to January 15th

§ Importantly, during the last number of weeks we believe the key relative valuation relationships have effectively been re-set to levels consistent with those that existed when we first announced our proposal back in January. Accordingly, we believe the current context should provide comfort to both sets of shareholders

§ For example, during the last three months, the market has maintained an average exchange ratio of approximately 0.35x between the two companies, which is very close to the trailing 1-year and spot exchange ratios that existed when we first announced our proposal on January 15th

Turning to slide 13, given the significant increase in our offer, as well as our confidence in the future trading value of our stock, immediately before the merger we would distribute to CF Industries shareholders Contingent Future Shares, or CFs

The CFs would provide CF shareholders with an opportunity to receive an aggregate of 5 million CF Industries shares if the average CF closing share price exceeds $115 for any five (5) trading days within any twenty (20) trading day period

If these conditions are met, the CFs would automatically convert into CF Industries shares on a one-for-one basis

The Measuring Period is a period starting six (6) months after the Merger and ending twenty-four (24) months after the Merger

The CFs would be publicly traded

If CF Industries shares trade through the $115 conversion price we are giving CF s pre-merger shareholders the opportunity to increase their ownership in the combined company from ~51% to ~54%

Slide 14 summarizes some of the financial highlights of the transaction

With a $6.8Bn market cap, the combined company will have increased trading liquidity, improved access to the capital markets and will emerge with a stronger balance sheet, featuring a substantial cash balance and no debt

Pro forma for a share repurchase of at least $1.0Bn and repayment of Terra bonds, the combined company would have ~$0.7Bn in cash

We expect the cash balance to continue to grow over the course of 2009

After giving effect to the realization of significant synergies, we expect the transaction to be accretive to CF Industries shareholders

In summary, turning to slide 15, we expect that today we will have satisfied the regulatory conditions with respect to our proposed business combination with Terra and will be in a position to close a transaction promptly. Our board and management team are enthusiastic about combining our two companies

The combined company will be a stronger, more competitive player in the global nitrogen fertilizer industry -- with annual capacity of 6.3MM tons we will be a close second to Yara s 6.9MM tons of annual capacity. The combined company would also benefit from CFs   strong position in phosphate

We expect the combination to generate $105 to $135 million in annual cost synergies, and provide significant financial benefits for all stakeholders

Combined, CF and Terra would have an improved strategic platform from which to pursue growth and manage risk

The combination logic has been acknowledged by both organizations, as evidenced by our 2004 and 2007 discussions regarding a merger

We would welcome having a number of Terra s directors on the board of the combined company. We look forward to Mike Bennett being one of those directors and having him continue to serve in a senior executive capacity, working closely with me to manage the combined company. Also, we would consider locating some functions of the combined company in the Sioux City area, while preserving the synergies in the transaction

Before we open the call to questions, I d like to remind everyone that CF has generated significant value for shareholders since its IPO in August 2005

We ve had the highest share price appreciation and total shareholder return among public global fertilizer companies from our IPO to January 15, 2009

We ve maintained focus on fertilizer manufacturing and wholesale distribution with outstanding operational execution

We generated ~$9 of cash per share during the second quarter and eclipsed $500MM of EBITDA for the first half of 2009, exceeding the median Street expectation for the entire year

And we ve demonstrated a commitment to return capital to shareholders as evidenced by our accelerated stock repurchase last fall and our commitment to repurchase at least $1Bn of stock after we close this transaction

Clearly, we re focused on creating shareholder value. And now that the Hart-Scott-Rodino waiting period is set to expire at midnight tonight (August 5, 2009), we remain on track, poised to take the next step in creating value by putting these two great companies together. It s a compelling opportunity for both companies and their shareholders

And now we d like to open up the call for questions

- The combined company will be a leading global producer of nitrogen fertilizers, as measured by capacity, among publicly traded companies

- The pro forma company will have annual nitrogen capacity of 6.3 million tons and be a close second to Yara s 6.9 million tons of annual nitrogen capacity

- The combined company will be a stronger, more competitive player in the global nitrogen fertilizer industry

- We believe that the elements of Terra s strategy, of which we are aware, including expansion of industrial nitrogen applications, would only be enhanced through a combination

- While there may be modest differences in our approach to the nitrogen business, it should not be surprising to you that the average profitability of our respective nitrogen businesses has been nearly identical since 2004

- The combined companies would also benefit from CF Industries strong position in phosphate

- In 2008, CF s phosphate operations represented 34% of total revenue. Terra currently has no exposure to phosphate. Based on 2008 data, phosphate would contribute 20% of combined company revenue

- Long-term phosphate outlook remains attractive

- Global availability of economically recoverable phosphate rock reserves is limited

Our phosphate rock mining and fertilizer production are fully integrated in Central Florida

With annual capacity of just under 1,055 million tonnes of phosphoric acid per year, Plant City is the 7th largest facility in Fertecon's listing of the world's top 125 plants\

For equity investors seeking exposure to the phosphate business, there are few attractive options\

According to Fertecon, only about 22% of the world's phosphoric acid capacity is owned by publicly-traded fertilizer companies. Of this amount, CF ranks #3 globally after Mosaic and PCS at approximately 10%

We expect the transaction to generate between $105 and $135 million in annual cost synergies by combining corporate functions and optimizing transportation and distribution systems, and through greater economies of scale in procurement and purchasing. Specific opportunities:

HQ consolidation -- Total combined 2008 SG&A ~ $140 million

Total logistics costs of approximately $350 million

Reduction in total product miles shipped

Reduced railcar lease costs (more than 5,300 total railcars in the system)

Over $600 million in non-raw materials purchases (includes: purchased fertilizer products; process chemicals; catalysts; other plant consumables)

Donaldsonville optimization

Spare parts inventory pooling

Reduction in inventory and associated carrying costs

Optimizing turnarounds and capex spending

Several underutilized facilities

We expect the combined company to realize these synergies within two years after the closing of the transaction

We also expect the combined company to benefit from a one-time cash release of up to $60MM, due to inventory reduction

At 4.3x forward EBITDA, CF is currently trading at essentially a full turn discount to its historical 3-year average forward multiple of 5.3x and well below ALL of the other publicly-traded fertilizer peers

CF is trading at 53% of its 52-week high

This exhibit depicts selected US spot prices since the beginning of 2008 for the 3 key fertilizer nutrients; nitrogen (ammonia and urea), phosphate (DAP) and potash

As shown above, prices generally peaked during 3Q/2008. Nitrogen and phosphate prices declined rapidly after establishing peaks. On 1/15, when CF announced its initial proposal for a business combination with Terra, nitrogen and phosphate prices had already fully corrected

Meanwhile potash remained artificially high because product was not flowing. Producers were required to make significant and continuous production cuts

While still attractive relative to historical levels, fundamentals in potash have weakened significantly since mid-June. Recent sell-side research perspectives:

"Potash at $515/st is not low enough to resurrect domestic demand...customers in NA will only buy as needed anticipating lower prices" **-- Goldman Sachs (7/30)**

"We expect China to seek a lower price than India s contract, likely on the lower-end of its domestic price range" **-- Goldman Sachs (7/30)**

"China may delay its contract negotiations until late in the third quarter. Our assumption of $400-$460 a ton for a China price seems fair at this point" **-- Citigroup (7/23)**

CF's market information suggests that, at the wholesale and retail levels, dealers have eliminated most if not all of the overhang of high-cost nitrogen and phosphate inventories (the nutrients produced by CF) that created a buyer-seller impasse for much of the spring season. Recent sell-side research observations:

"Ammonia and urea prices have moved up sharply in recent weeks...We look for further price gains this fall as distribution inventories are low...US export prices of DAP are now above $300/mt, up from the early-June bottom" **BofA/ML (8/3)**

"We believe CF s phosphate profits are nearing a bottom, as phosphate fundamentals have improved sharply in the last two months." -- **BoA/ML (7/29)**

"On the other hand, we expect nitrogen and phosphate sales to increase as buyers are comfortable restocking for the upcoming fall season, believing that prices are set for a rebound **-- Goldman Sachs (7/30)**