LSB Industries, Inc.

NYSE: LXU

Bank of America Merrill Lynch

2014 Leveraged Finance Conference

December 2, 2014

Safe Harbor Statement

The information contained in the presentation materials contain certain forward-looking statements. All these statements, other than statements of historical fact, are forward-looking statements.

Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “anticipate,” “estimate” and similar statements of the future or of a forward-looking nature identify forward-looking statements, including but not limited to, all statements about or in references to the Architectural Building Index, Dodge Construction Green Outlook, or any McGraw Hill forecast, any references to future natural gas costs, ammonia costs, grain or corn demand or production, construction trends and demand, and the outlook for the chemical or climate control business.

The forward-looking statements include but are not limited to the following statements: major investments to reduce costs and increase facility reliability; positioned to benefit from strong agricultural market and economic recovery; product balance options; production capacity; impact of capital expansion projects; estimated completion and start up dates for new chemical facilities and their cost and production capacity; planned capital spending; outlook for Chemical and Climate Control; turnaround at Cherokee; future maintenance activities; Pryor facility reliability; Climate Control’s product sales; sales growth Q4 2014 and 2015; LEAN impact; future outlook.

You should not rely on the forward-looking statements because actual events or results may differ materially from those indicated by these forward-looking statements as a result of a number of important factors. We incorporate the risks and uncertainties discussed under the headings “Risk Factors” and “A Special Note Regarding Forward-looking Statements” in our Form 10-K for the fiscal year ended December 31, 2013 and Form 10-Q’s for the periods ending March 31, 2014, June 30, 2014, and September 30, 2014, which contain a discussion of a variety of factors which could cause the future outcome to differ materially from the forward-looking statements discussed in this investor presentation. We undertake no duty to update the information contained in this investor presentation.

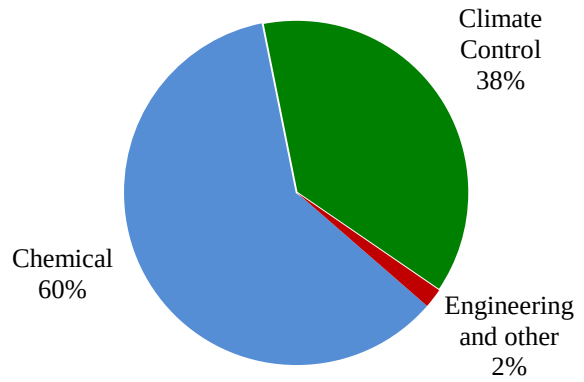
The term EBITDA, as used in this presentation, is net income plus interest expense, depreciation, amortization, income taxes, and certain non-cash charges, unless otherwise described. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to GAAP measurement. The reconciliation of GAAP and any EBITDA numbers discussed in this investor presentation are included in the appendix of this presentation.

Company Overview

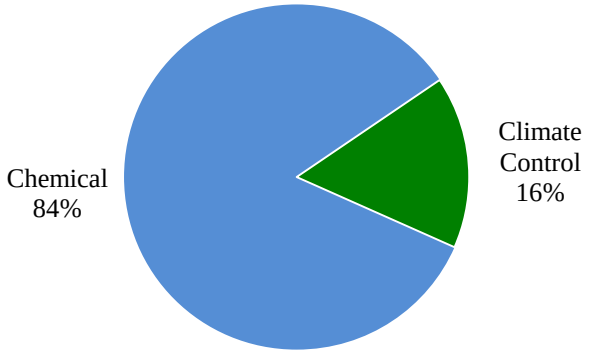
Business Overview

- **Diversified industrial manufacturer of chemicals and HVAC products sold into a wide range of end markets**
- **Founded in 1968 and headquartered in Oklahoma City, OK; publicly traded (NYSE: LXU)**
- **Chemical Business operates 4 production facilities**
  - El Dorado Chemical Company ("EDC") (Arkansas)
  - Cherokee Nitrogen LLC (Alabama)
  - Pryor Chemical Company (Oklahoma)
  - El Dorado Nitric LLC ("Baytown") (Texas)
- **Climate Control Business operates 7 facilities located in Oklahoma City (over 1 million square feet)**
- **Financial Snapshot:**
  - LTM 9/30/14 Net Sales of $700.3 million
  - LTM 9/30/14 Consolidated Adjusted EBITDA of $154.0 million (1)

Net Sales by Business Segment – LTM 9/30/14



EBITDA by Business Segment – LTM 9/30/14



Note: Excludes unallocated corporate expenses

LSB operates a well-diversified business with differentiated market positions across two distinct business segments

Note (1): Includes insurance proceeds of $104.2 million

LSB's Two Core Businesses

Chemical

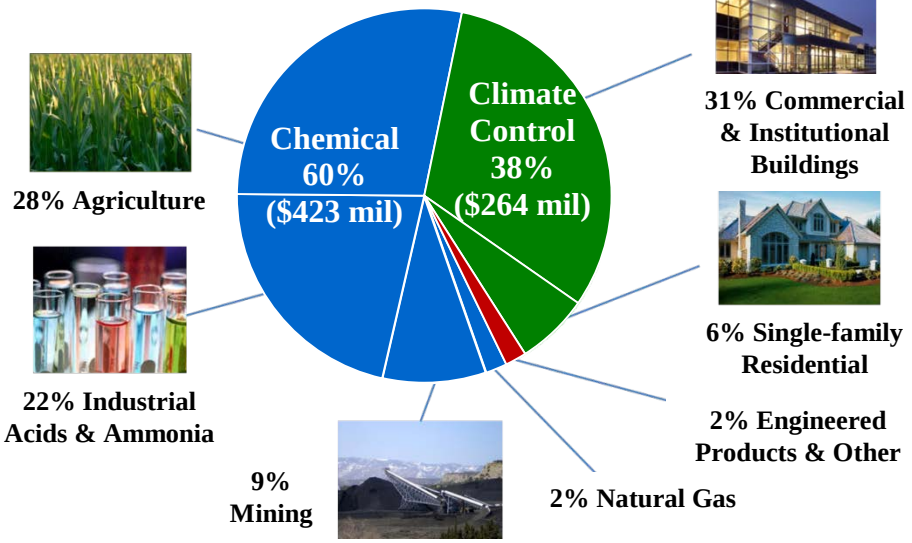
- Provides nitrogen based agricultural, mining and industrial chemicals to North American market
- Leading merchant marketer of nitric acid in the U.S.
- Major investments underway to reduce costs and increase facility reliability and capacity
- Positioned to benefit from strong agricultural market with favorable margins

Climate Control

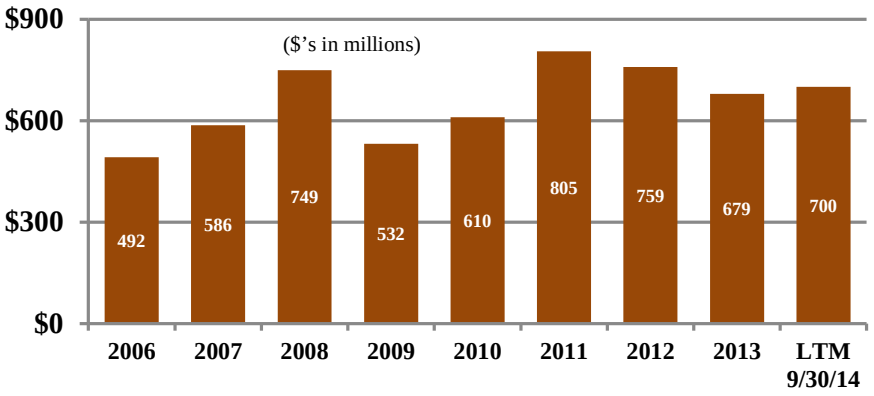
- Provides specialty HVAC products to commercial, institutional and residential new construction, renovation and replacement markets, emphasis on green products
- Market and technology leader for water source and geothermal heat pumps, and hydronic fan coils
- Poised to benefit from the economic recovery, long-term trend toward green construction, and growth of emerging products

Where Our Products Go

LTM 9/30/14 Sales Mix



Consolidated Sales History



Business Segment Overview

Chemical Markets and Products

Market	Products	Uses	Competitors
Agro-Chemical (46% of sales)	Urea Ammonium Nitrate Solutions (UAN)	Fertilizer for corn and other crops	CF Industries, PCS, Koch Industries, Rentec, Coffeeville Resources, imports
	Ammonium Nitrate - high density prills (AN)	Primary nitrogen component in NPK fertilizer blends	CF Industries, imports
	Anhydrous Ammonia	High nitrogen content fertilizer primarily used for corn	Various
Industrial Acids, Ammonia & DEF (36% of sales)	Nitric Acid	Semi-conductor, nylon, polyurethane intermediates, ammonium nitrate	CF Industries, PCS
	Sulfuric Acid	Pulp and paper, alum, water treatment, metals and vanadium processing	Cytec, Chemtrade Logistics
	Anhydrous Ammonia	Power plant emissions abatement, water treatment, refrigerants, metals processing	Various
	Diesel Exhaust Fluid (DEF)	Exhaust stream additive to reduce NO_x emissions from diesel vehicles	Various
Mining Products (15% of sales)	Ammonium Nitrate – low density prills (AN) and AN solutions	Specialty emulsions for mining applications	CF Industries, PCS, Dyno Nobel America
	Specialty E2 Ammonium Nitrate	Surface mining, quarries, construction	Imports

Attractive Industry Fundamentals – Agro Chemicals

World Situation:

- Growing populations
- Developing economies
- Changing dietary habits (from grain to meat)
- Worldwide grain stock-to-use ratios at 10-year highs

North American Situation:

- World grain shortages positively impact grain requirements in the U.S.
- During last 3 years U.S. consumed more grain than it produced.
- U.S. grain stocks are at 10-year highs leading to lower current and expected corn prices.

Result:

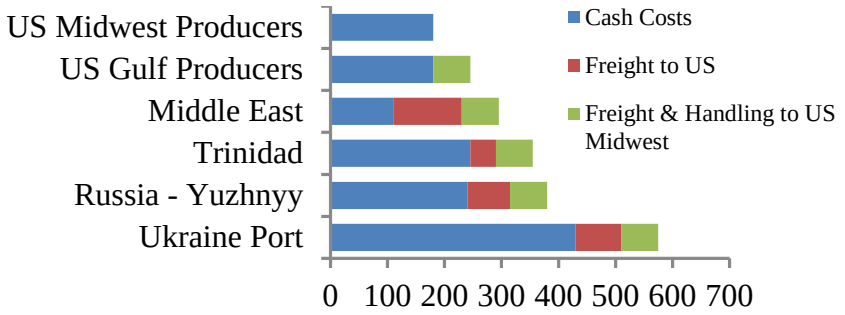
- **High demand for grain expected in 2014 and 2015 despite low corn prices; between 86 to 88 million acres of corn expected to be planted in 2014/2015.**

North America is Low Cost Producer of Nitrogen Fertilizers

- Natural gas is the primary feedstock for anhydrous ammonia and all nitrogen fertilizers.
- Due to large shale gas reserves, U.S. has relatively low natural gas prices vs. most places worldwide.
- Natural gas is expected to average approximately $4.00 per MMBtu for the remainder of 2014 and 2015.

U.S. Midwest Delivered Ammonia Cost Forecast ($US/ton)

Source: Fertecon, Blue Johnson, PotashCorp (2014F)



LSB's Agricultural Distribution

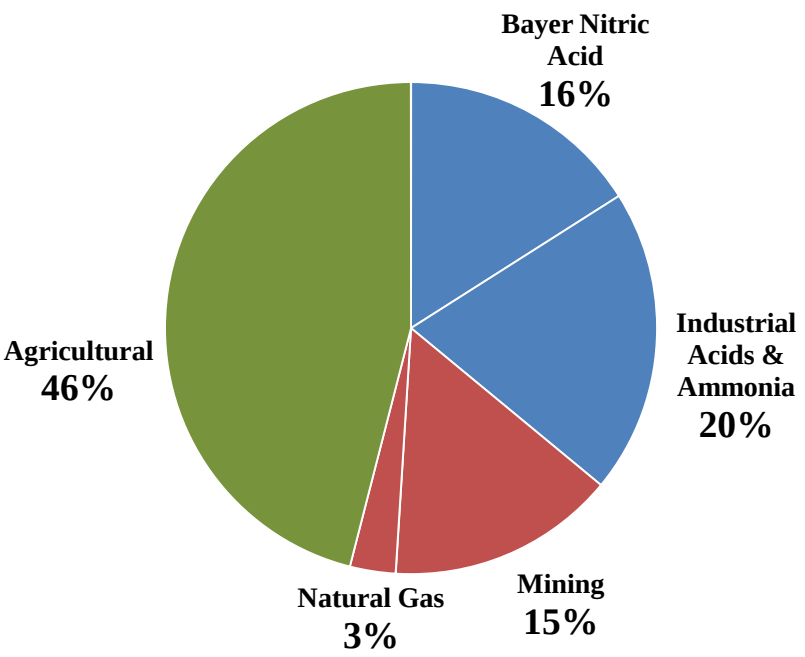
Pryor, OK	UAN	Koch	**Southern Plains & Corn Belt**
Cherokee, AL	UAN	**Transammonia, The Andersons, CHS, Koch, et.al.**	**Eastern Corn Belt**
El Dorado, AR	AN	**Ag Centers - 30% Distributors & Dealers - 70%**	**Southern Plains, South Central, Midwest & West**

- Multiple distribution channels
- Diverse geographic coverage
- Longstanding customer relationships
- Direct rail linkage to corn belt

Operational Dynamics

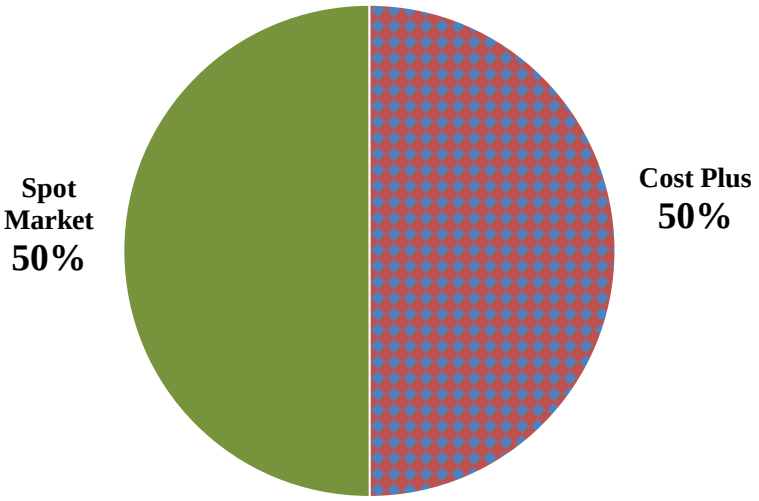
Diversification Strategy with Product Balance Options

Sales by Market



A key strategy is to ***OPTIMIZE SALES MIX:*** *industrial vs. agricultural.*

Cost-Plus Agreements vs. Spot Market Sales



Approximately half our sales are ***NON-SEASONAL*** *and priced pursuant to* ***COST-PLUS*** *agreements.*

LTM 9/30/14 Sales Mix

Major Chemical Customers

Bayer

El Dorado Chemical Co.

Cherokee Nitrogen LLC

Pryor Chemical Co.

El Dorado Nitric LLC

Chemical Facilities

Facility		El Dorado Chemical Company	Cherokee Nitrogen LLC	Pryor Chemical Company	El Dorado Nitric LLC
Location		El Dorado, AR	Cherokee, AL	Pryor, OK	Baytown, TX
Year Acquired/Built		1983	1999	2000	2000
Ammonia Design		Kellogg	Kellogg	Pritchard	-
Plant Area (acres) Site Area (acres)		150 1,400	160 1,300	47 104	2 Bayer site
Feedstock		ammonia	natural gas	natural gas	ammonia
Agricultural Products	UAN		x	x	
	High Density AN	x			
	Ammonia		x	x	
	Urea		x	x	
Industrial & Mining Products	Nitric Acid	x	x	x	x
	Concentrated Nitric Acid	x			
	Sulfuric Acid	x			
	Mixed Acid	x			
	Carbon Dioxide		x	x	
	Ammonia		x	x	
	DEF		x		
	Low Density AN	x			
	AN solutions	x	x		
Transportation to Market		truck, rail	truck, rail, pipeline,	truck, rail	truck, pipeline

Annual Production Capacity of Products Available for Sale

(1,000's of tons)

Facility		El Dorado Chemical Company	Cherokee Nitrogen LLC	Pryor Chemical Company	El Dorado Nitric LLC	Total
Feedstock		ammonia	natural gas	natural gas	ammonia	
Ammonia Production Capacity		220[(1)]/375	175	215	-	610/765
Products Available for Sale						
Agricultural Products	UAN		215	300		515
	High Density AN [(2)]	110/300				110/300
	Ammonia	125	30	85		115/240
Industrial & Mining Products	Nitric Acid	45/200	30		410	485/640
	DEF		15			15
	Low Density AN [(2)]	220				220
	AN solutions		85			85

Red Font *= production capacities after the completion of the ammonia and nitric acid expansion projects at El Dorado*

Note (1): Represents amount of ammonia currently purchased

Note (2): Combined annual low density and high density AN production capacity is limited to 330,000/TPY due to the loss in 2012 of 90,000/TPY of nitric acid production capacity

Capital Expansion Projects

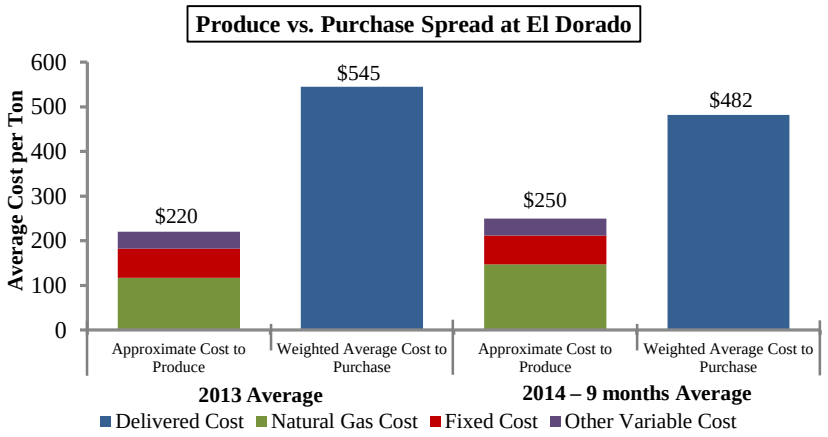
El Dorado Ammonia Plant

- Cost of $275 million - $300 million
- Reduces production costs significantly vs. purchased ammonia
- Enhanced product balance opportunities
- Increases plant capacity:
  - Currently use ~220,000 tons per year (TPY)
  - Additional capacity ~155,000 TPY
  - Total capacity ~375,000 TPY
- Estimated completion Q4 2015/start-up Q1 2016

El Dorado Nitric Acid Plant and Concentrator

- Cost of $125 million - $130 million
- Improves operating characteristics
- Enhanced product balance
- Replaces lost acid capacity and adds additional capacity for a total of 370,000 TPY
- Estimated completion and start-up Q2 2015

Ammonia Production Offers Attractive Economics



Construction Process Well Underway

- Engineering, Procurement and Construction (EPC) contractor secured
- Installation of above ground structures underway
- Inspection and refurbish/rebuild of equipment in process

Climate Control Market and Products

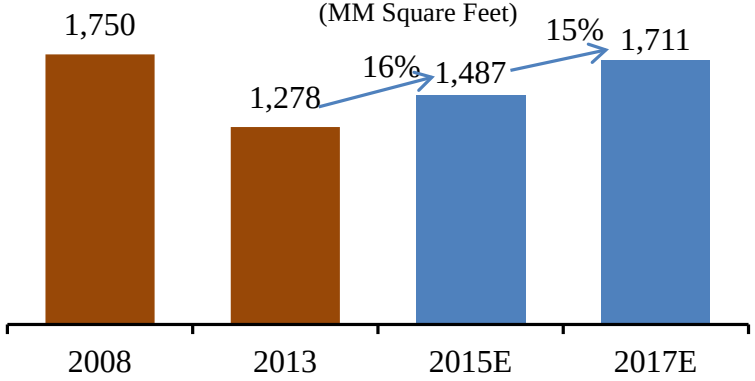
Market	Products	Uses	
Geothermal & Water Source Heat Pumps (65% of sales)	**Water Source Heat Pumps**	Heating and cooling for commercial/institutional as well as single family residential - new construction, renovation and replacements	 Leading share in water source and geothermal heat pumps
	Geothermal Heat Pumps	Heating and cooling for commercial/institutional as well as single family residential - new construction, renovation and replacements	
Hydronic Fan Coils (23% of sales)	**Hydronic Fan Coils**	Heating and cooling for commercial/institutional new construction, renovation and replacements	 Leading share in hydronic fan coils
Other HVAC Products (12% of sales)	**Large Custom Air Handlers**	Commercial, institutional and industrial	   
	Modular Chillers	Commercial, institutional and industrial	
	Make-up Air Units	Commercial, institutional and industrial	

Attractive Industry Fundamentals: Climate Control

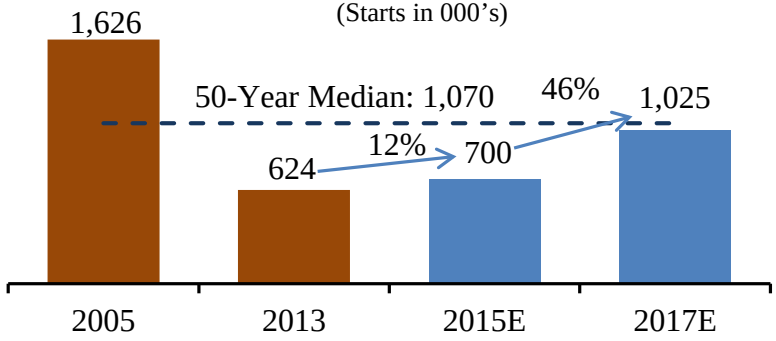
Construction markets are poised for a recovery to pre-recession levels

- Significant upside as industry drivers return to levels at/near historical norms
  - Driven by high energy efficiency

Commercial / Institutional / Multi-Family Starts
(MM Square Feet)

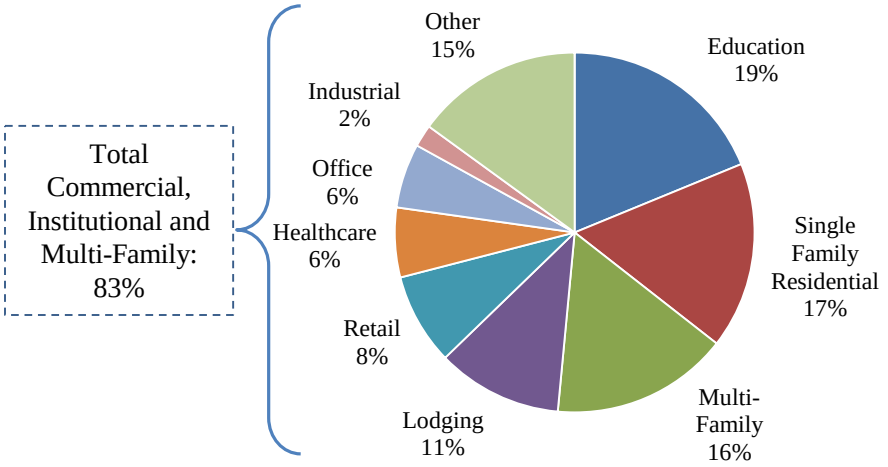


Single Family Residential Construction
(Starts in 000's)

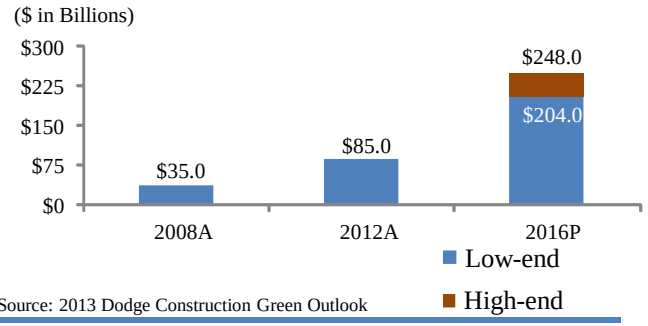


Sources: McGraw-Hill Construction Market Forecasting Service, Q4 2014; 50 Year Median – Census Bureau

Climate Control LTM 9/30/14 Market Mix



Green building market spending expected to grow ~25%+ CAGR from '12 – '16E



Source: 2013 Dodge Construction Green Outlook

Significant Installed Base of Climate Control Products


Millennium Towers, NYC


Bellagio, Las Vegas


Statue of Liberty

MGM Grand, Las Vegas


Trump Tower, NYC


World Financial Center, NYC


Chicago Hilton and Towers


Wynn Resort, Las Vegas


Disney's Grand Floridian, Orlando


Atlantis, Bahamas


Rowes Wharf, Boston


Alta Condos, Washington DC


Peninsula, Hong Kong


Ritz Carlton, Pasadena, CA


Rockefeller Center, NYC

Thousands of premier installations and over 4 million units

Financial Overview

Summary Statement of Operations

$ in millions except EPS	Calendar Year Ended Dec. 31, 2013	2012	2011	2010	9 Mos. Ended Sept. 30, 2014	2013
Sales	$679.3	$759.0	$805.3	$609.9	$551.2	$530.3
Sales Growth	(11)%	(6)%	32%	15%	4%	(9)%
Operating Income/(Loss)	$105.3	$95.7	$136.4	$55.9	$48.4	$35.1
Net Income/(Loss)	$55.0	$58.6	$83.8	$29.6	$19.0	$17.6
Diluted Earnings/(Loss) per Share	$2.33	$2.49	$3.58	$1.32	$0.80	$0.75
EBITDA	$132.9	$117.3	$155.7	$74.3	$75.4	$54.4
EBITDA Margin	20%	15%	19%	12%	14%	10%

Segment Summary Statement of Operations

Chemical Business

	Calendar Year Ended Dec. 31,				9 Mos. Ended Sept. 30,	
$ in millions	**2013**	**2012**	**2011**	**2010**	**2014**	**2013**
Sales	$380.7	$477.8	$511.9	$351.1	$345.7	$303.0
Gross Profit	46.2	97.7	130.7	49.3	57.2	39.1
Gross Profit %	12.1%	20.4%	25.5%	14.0%	16.5%	12.9%
Operating Income	87.8	82.1	116.5	31.9	46.8	20.3
Segment EBITDA	$111.4	$98.5	$131.2	$45.0	$69.6	$36.9

Climate Control Business

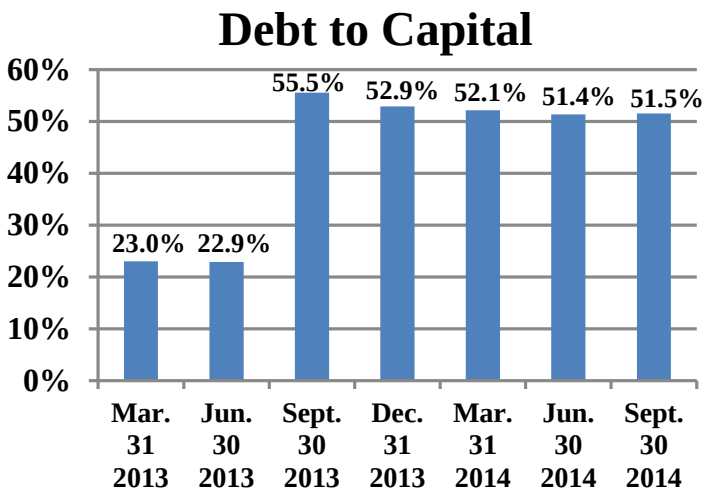
	Calendar Year Ended Dec. 31,				9 Mos. Ended Sept. 30,	
$ in millions	**2013**	**2012**	**2011**	**2010**	**2014**	**2013**
Sales	$285.0	$266.2	$281.6	$250.5	$196.6	$217.5
Gross Profit	92.9	81.0	88.2	86.4	61.6	70.6
Gross Profit %	32.6%	30.4%	31.3%	34.5%	31.3%	32.4%
Operating Income	30.4	25.8	32.8	35.3	17.4	24.4
Segment EBITDA	$33.6	$29.0	$35.5	$38.8	$21.0	$26.9

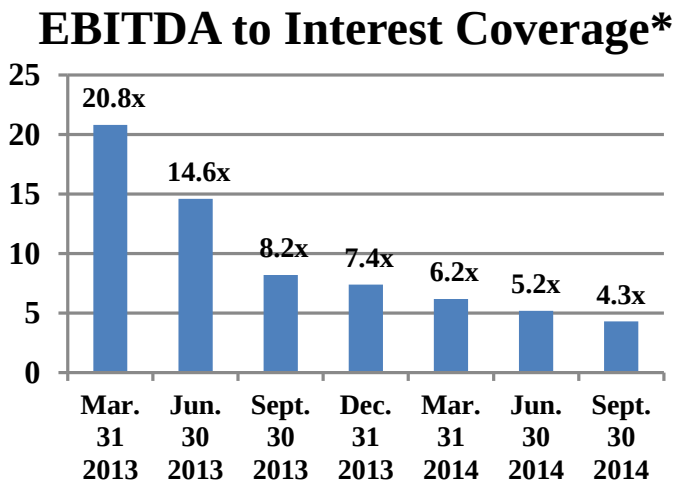
Solid Financial Position

Strong Balance Sheet

$ in millions	Sept. 30, 2014	Dec. 31, 2013
Cash and Investments (including non-current)	$311.1	$434.7
Total Debt	$459.4	$463.0
Stockholders' Equity	$432.4	$411.7
Total Capitalization	$891.8	$874.7

Note: As of September 30, 2014, total debt consisted of $425 million 7.75% Senior Secured Notes due in 2019; a $24.5 million Secured Promissory Note due in February 2016 and $9.9 million of equipment loans and capital leases. Our availability under the $100 million working capital revolver loan was $74.2 million at September 30, 2014.





* Calculated on a trailing twelve month basis using total interest, including capitalized interest.

Capital Structure

- **Senior Secured Notes**
  - $425 million
  - 7.75%
  - Due August 2019
- **Working Capital Revolver**
  - $100 million (L + 150)
  - $74.2 million availability
  - Expires April 2018

As of September 30, 2014	
Cash and Investments	$ (311.1)
Senior Secured Notes (7.75%)	425.0
Other Debt	34.4
Total Net Debt	**$ 148.3**
LTM 9/30/14 EBITDA	$ 154.0
Net Leverage Ratio	**0.96x**
EBITDA / Interest Expense	**4.3x**

Ratings	**Moody's**	**S&P**
Corporate :	Ba3	B+
First Lien :	Ba3	B+
Outlook :	Stable	Positive

Planned Capital Spending (as of September 30, 2014 - $ in millions)

Total Projects

	Planned Capital Expenditures		
	Remainder of 2014	2015	Total
Chemical Business:			
El Dorado Facility Expansion Projects	$80 - $93	$200 - $222	$280 - $315
Development of Natural Gas Leaseholds	1 - 3	14 - 18	15 - 21
Environmental Projects	5 - 7	5 - 7	10 - 14
Major Renewal and Improvement Projects	14 - 18	34 - 40	48 - 58
Other	4 - 8	13 - 16	17 - 24
Total Chemical	**$104 - $129**	**$266 - $303**	**$370 - $432**
Climate Control Business:	**2 - 3**	**7 - 10**	**9 - 13**
Corporate and Other:	**2 - 3**	**7 - 10**	**9 - 13**
Total Projects	**$108 - $135**	**$280 - $323**	**$388 - $458**

El Dorado Expansion Projects

		Planned Capital Expenditures		
	Expenditures to Date	Remainder of 2014	2015	Project Total
Ammonia Plant	$99	$50 - $60	$126 - $141	$275 - $300
Nitric Acid Plant and Concentrator	85	11 - 12	29 - 33	125 - 130
Other Support Infrastructure	21	19 - 21	45 - 48	85 - 90
Total El Dorado Projects	**$205**	**$80 - $93**	**$200 - $222**	**$485 - $520**

Note: The planned spending is presented as a range to provide for engineering estimates, the status of bidding, variable material costs, unplanned delays in construction and other contingencies.

Key LSB Value Drivers

- **Comprehensive upgraded Chemical Business safety and plant reliability systems** – intended to improve plant up-time and reduce risks of unplanned downtime.
- **Pryor facility reliability improvements** - including new senior management, additional engineering support, extensive monitoring and control equipment, remanufacture of certain key pieces of equipment, and use of industry expert consultants – intended to improve plant up-time and reduce risks of unplanned downtime.
- **Expansion projects at El Dorado** – intended to reduce costs, increase capacity, and enhance product balance capabilities.
- **Growth in Climate Control Business** within existing plant footprints as construction cycle recovers to achieve increased profits through operating leverage.
- **LEAN / Operational Excellence initiatives in our Climate Control Business** to facilitate improved operational metrics and reduce costs.

Appendix

EBITDA Reconciliations (in millions)

Reconciliation of Consolidated Net Income and Segment Operating Income to Non-GAAP measurement EBITDA. Management uses operating income by business segment for purposes of making decisions that include resource allocations and performance evaluations. Operating income by business segment represents gross profit by business segment less selling, general and administrative expenses incurred by each business segment plus other income and other expense earned/incurred by each business segment before general corporate expenses.

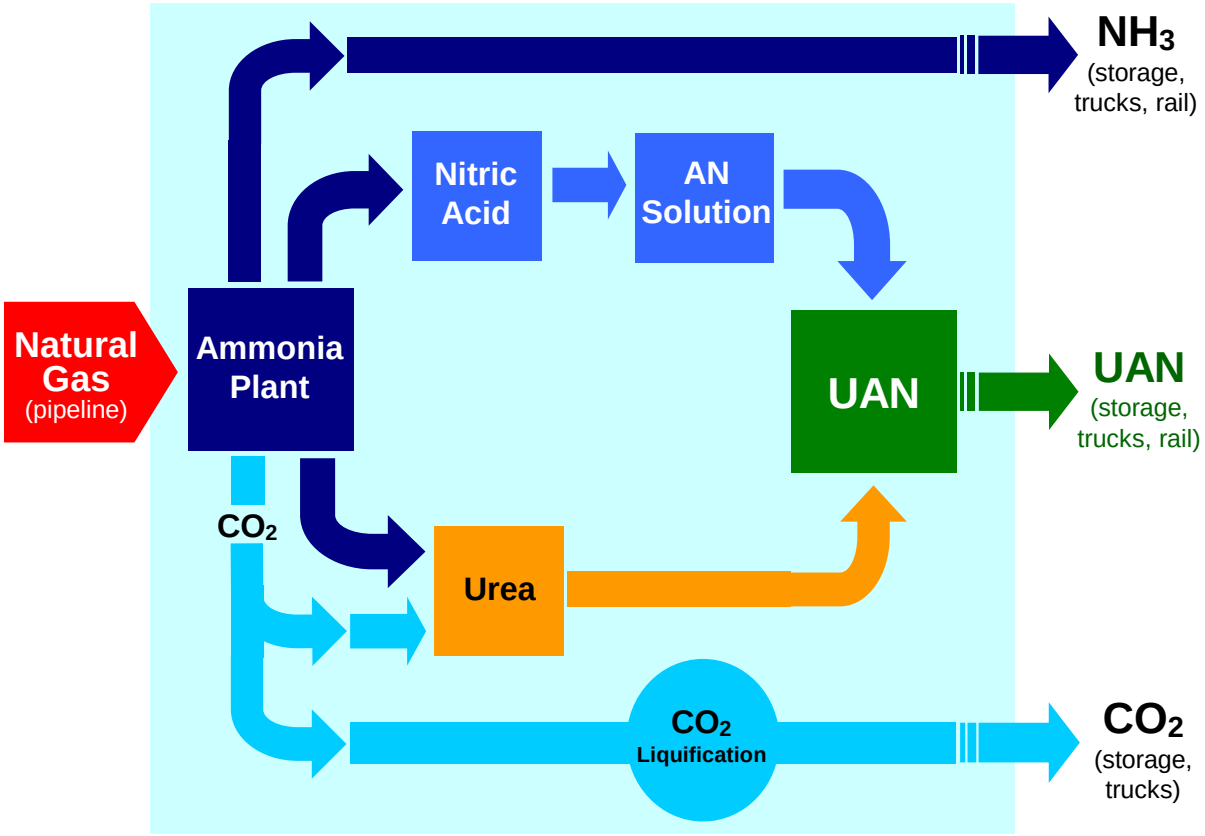
The term EBITDA, as used in this presentation, is net income plus interest expense, depreciation, amortization, income taxes, and certain non-cash charges, unless otherwise described. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to GAAP measurement.

LSB Industries, Inc. Consolidated	**Twelve months ended 12-31**				**Nine months ended 9-30**	
	2013	**2012**	**2011**	**2010**	**2014**	**2013**
Net income (loss)	**$ 55.0**	**$ 58.6**	**$ 83.8**	**$ 29.6**	**$ 19.0**	**$ 17.6**
Plus:						
Interest expense	14.0	4.2	6.7	7.4	17.5	6.7
Depreciation and amortization	28.4	20.7	18.8	17.4	26.6	20.1
Provisions for income taxes	35.3	33.6	46.2	19.8	12.3	10.0
Loss from discontinued operations	0.2	0.2	0.2	0.1	-	-
EBITDA per conference call	**$ 132.9**	**$ 117.3**	**$ 155.7**	**$ 74.3**	**$ 75.4**	**$ 54.4**
Climate Control Business						
Operating income (loss)	**$ 30.4**	**$ 25.8**	**$ 32.8**	**$ 35.3**	**$ 17.4**	**$ 24.4**
Plus:						
Equity in earnings of affiliate	0.4	0.7	0.5	1.0	0.1	0.5
Depreciation and amortization	2.8	2.5	2.2	2.5	3.5	2.0
EBITDA per conference call	**$ 33.6**	**$ 29.0**	**$ 35.5**	**$ 38.8**	**$ 21.0**	**$ 26.9**
Chemical Business						
Operating income (loss)	**$ 87.8**	**$ 82.1**	**$ 116.5**	**$ 31.9**	**$ 46.8**	**$ 20.3**
Plus:						
Non-operating income	-	-	-	-	0.2	-
Depreciation and amortization	23.6	16.4	14.7	13.1	22.6	16.6
EBITDA per conference call	**$ 111.4**	**$ 98.5**	**$ 131.2**	**$ 45.0**	**$ 69.6**	**$ 36.9**

What Our Chemical Products Are Used For:

Agrochemical Products	Uses
Urea Ammonium Nitrate Solutions (UAN) 28-32% N Manufactured nitrogen content fertilizer	High nitrogen content fertilizer for corn and other crops with high nitrogen demand (wheat, milo, cotton)
E2 Ammonium Nitrate Prill (solid) 34% N High nitrogen content fertilizer	Nitrogen consuming crops, forage areas and citrus. The primary nitrogen component in NPK (nitrogen, phosphorus, potassium) fertilizer blends
Fertilizer Blends Custom blends with purchased phosphates, potassium, sulfur, micronutrients with produced ammonium nitrate	Special application for agri-business products to supply growers balanced fertility
Anhydrous Ammonia 82% N Gas injected application	High nitrogen content fertilizer with highest percentage use for corn.
Industrial Acids, Ammonia, DEF	**Uses:**
Concentrated Nitric Acid Aqueous solution up to 99% concentration	Production of specialty fibers, nitrocellulose, gaskets, crop chemicals, mining products, metal treatment, nitric acid commercial blends
Nitric Acid Commercial Blends Aqueous solution up to 89% concentration	Semi-conductor industry, manufacture of nylon and polyurethane intermediates, potassium nitrate compounds, ammonium nitrate production
Anhydrous Ammonia Commercial grade and high purity refrigeration, metallurgical grade	Air emission abatement in power plants, water treatment, refrigerants, metals processing, and a wide variety of industrial uses
Mixed Acids Blends of concentrated nitric acid and sulfuric acid/oleum	Diesel fuel additives, ordnance, herbicides and pharmaceutical grade nitroglycerine
Sulfuric Acid 98% and 93% concentrations, standard and low-iron grades	Pulp and paper manufacturing, alum, water treatment, metals processing, vanadium processing, other industrial uses
DEF (diesel exhaust fluid)	Exhaust stream additive to reduce NO_X emissions from diesel vehicles
Industrial Mining Products	**Uses:**
Ammonium Nitrate Solutions 54% and 83% concentrations	Specialty emulsions for mining applications, other miscellaneous uses
Low Density Ammonium Nitrate Prills (solids) Solid pellets with good porosity and flowability	Surface mining, quarries, construction

Typical Facility Process Flow (Pryor)

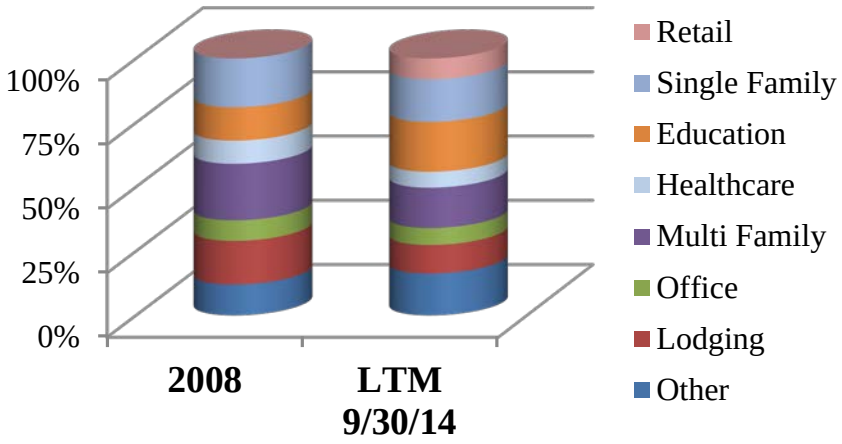


- Products are marketable at every intermediate and final stage of production.
- Pryor facility process flow is typical of plants with natural gas feedstock.
- Pryor and Cherokee use natural gas feedstock. El Dorado and Baytown use ammonia feedstock.

Climate Control Sales & Marketing Data

September 30, 2014 LTM Sales Mix Data

Diversified End Markets



Distribution Channels

Commercial:

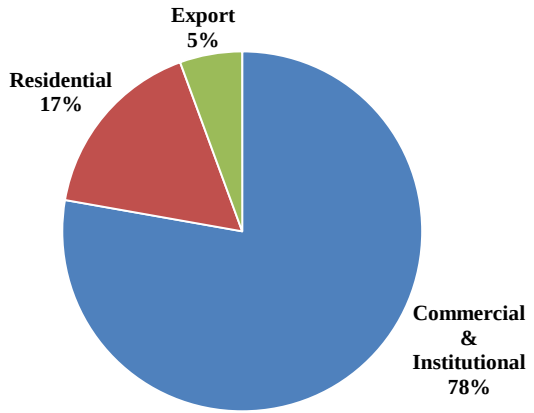
- 238 Commercial representative firms with 438 locations
- 2,200+ Sales Engineers

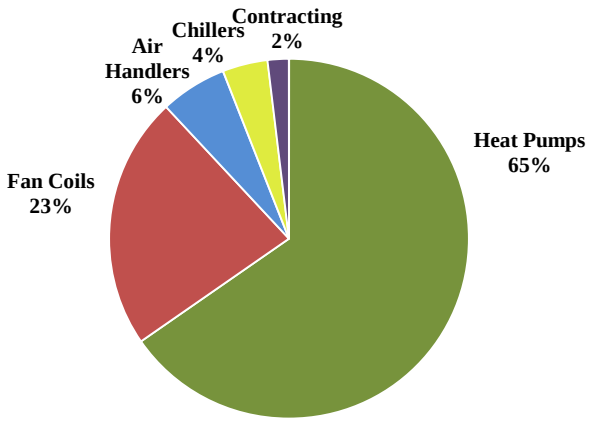
Residential (Geothermal):

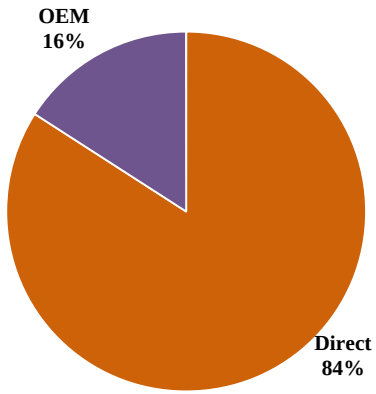
- 600 Residential distributor locations (approx.)
- 4,000 Residential contractor-dealers (approx.)

Plus: OEM distribution channels

Product & Market Sales Mix – Various Perspectives

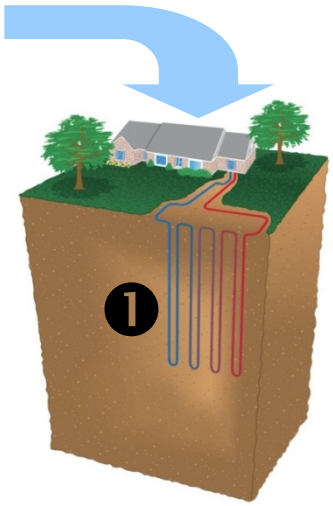






Focus on Geothermal Heat Pumps

How does a GHP system work?



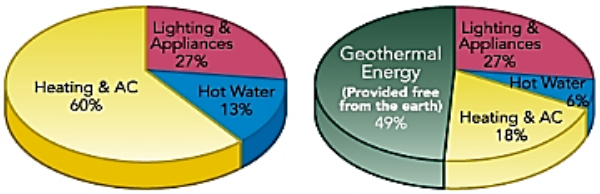
Typical Residential Geothermal System

- **The Earth absorbs approximately 50% of all solar energy** and remains at nearly a constant temperature year round (below a few feet deep).
- **A GHP system** uses a ❶ sealed in-ground heat exchanger (loop) filled with fluid and a ❷ GHP unit to exchange energy between the house or building and the earth.
- **In winter**, fluid in the loop absorbs energy from the earth and carries it to the GHP where it is converted (compressed) to a higher temperature and sent as warm air into the house or building.
- **In summer**, the system reverses, transferring heat from the house or building into the earth.
- **GHP systems work year round**, in all climates, in both individual residences and large commercial buildings, providing both conditioned air and **domestic hot water** (as a "free" by-product).

Geothermal Benefits:

- **Energy Cost Reduction & Positive Cash Flow –** the most energy efficient HVAC technology available – up to **80%** more efficient than conventional systems.

Residential Energy Usage



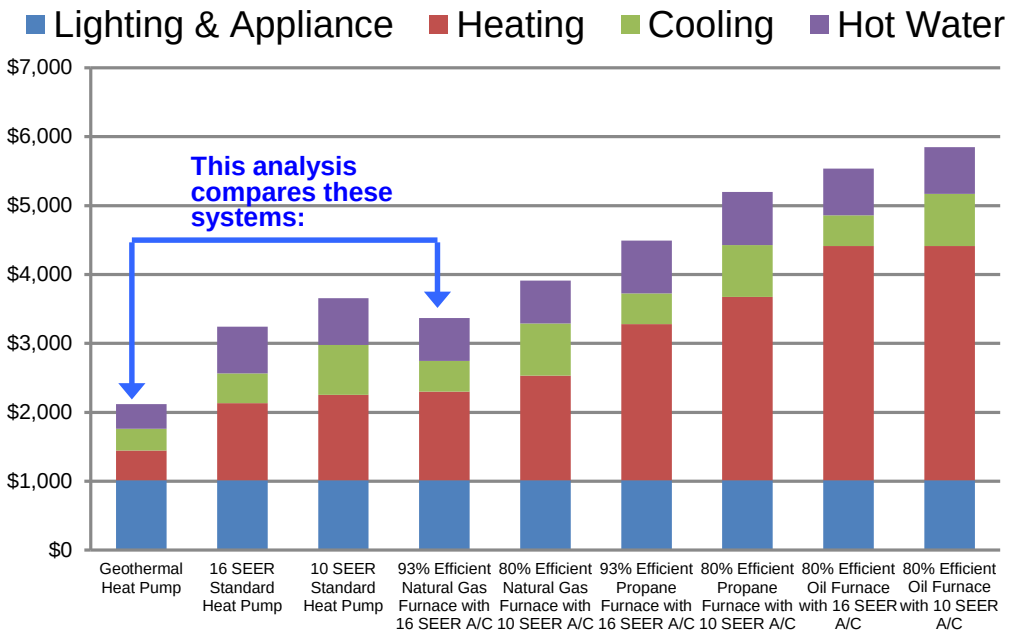
Conventional System **Geothermal System**

- **Fed Tax Credits** - 30% residential & 10% business + accelerated depreciation, + state/utility incentives
- **GHP's are an Alternative form of Renewable Energy**
- **Green Refrigerants -** non-ozone depleting
- **"Free" Domestic Hot Water**
- **Noise Free Operation –** no noisy condensing unit
- **Extremely Long Lived** vs. conventional systems (50 year loops)

Typical GHP Costs and Savings

For a GHP System in a 2,500 sq. ft. new house in St. Louis, MO (typical middle America)
Installed Cost of a 4 ton GHP System = $6,000 per ton (12,000 Btu/ton).

System Operating Cost Comparison GHP vs. Conventional Systems



Note: System installed costs are different throughout the U.S due to varying local conditions and labor costs. Savings vary due to weather conditions, user preferences, and local utility rates. Costs and savings in St. Louis are estimates and subject to change.

Payback (GHP vs. Hi-Eff Gas Furn+AC)	
Installed cost of GHP	$24,000
Less: 30% Fed tax credit	(7,200)
GHP cost after credit	16,800
Cost for Hi-Eff Gas + AC	(12,000)
GHP premium cost	4,800
Annual Energy Savings	**$1,248**
Payback in Years	3.8

Positive Cash Flow	
Annual Energy Savings	$1,248
Annual P&I on GHP Premium (6% int. – 10 yrs.)	(636)
Annual Cash Savings	**$612**

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Notes:

LSB Industries, Inc. is headquartered in Oklahoma City and does business through its subsidiaries, with seven HVAC manufacturing and distribution facilities in Oklahoma City, chemical plants in Texas, Arkansas, Alabama and Oklahoma and an engineered products distribution center in Oklahoma City. Approximately 1,900 total employees.

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