

LSB Industries, Inc.

2014 First Quarter Results

May 8, 2014

Jack E. Golsen, Board Chairman and CEO

Barry H. Golsen, President and COO

Tony M. Shelby, Executive Vice President and CFO

Safe Harbor Statement

Information reported on this call speaks only as of today, May 8, 2014. And therefore, you are advised that time-sensitive information may no longer be accurate at the time of any replay. The comments today and 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 or any McGraw Hill forecast, any references to projected natural gas costs, ammonia costs, and fundamentals of the chemical or climate control business.

The forward-looking statements include but are not limited to the following statements: improvements to our existing operations and added reliability of the plant; nitric acid plant and concentrator and ammonia plant coming online in late 2015 and early 2016 and adding significant additional production capacity; completion of the expansion projects having a major positive on our EBIDTA; three year capital and operating plan created significant shareholder value; planned expenditures for 2014 and 2015; funding of our capital expenditures; natural gas prices not increasing substantially for some time; ammonia prices declining as the application season ends; price ranges for UAN; outlook for the ag business; downward price pressure on all nitrogen fertilizer products; marketing and sales of ammonium nitrate directly to the explosives market beginning in the second quarter of 2015; increased El Dorado capacity should lower production costs significantly; we will use a substantial amount of the new ammonia we produce to satisfy our agricultural and industrial mining customers and sell some via pipeline; the El Dorado expansion projects being completed on time and on budget; acid plant and concentrator ready for start-up in mid-2015 and the ammonia plant construction completed by the end of 2015 and ammonia production ramp-up during first quarter of 2016; achievement of operating leverage in our Climate Control Business as construction markets grow; we will continue to have negative cash flow until the El Dorado expansion projects are completed and producing; planned capital expenditures at El Dorado; funding of capital expenditures; ammonia prices; strong continuing demand for fertilizers; optimistic about our ag business; consistent production at the Pryor facility; plant turnarounds; installation of equipment at Pryor; impact of El Dorado expansion on ammonia capacity and cost of ammonia; timing of completion and budget for the El Dorado expansion project; completion dates and start-up dates for acid plant and concentrator and ammonia plant; Climate Control Business 2014 operational excellence initiatives; value drivers.

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 heading Special Note Regarding Forward-looking Statements in our annual report on Form 10-K for the fiscal year ended December 31, 2013 and Form 10-Q for the period ending March 31, 2014. We undertake no duty to update the information contained in this conference call.

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 during this conference call are included on the Q1 2014 conference call presentation, which is posted on our website.

First Quarter 2014 Highlights

- Sales = \$179 million / EPS = \$0.49
- Pryor achieved its targeted ammonia production of approximately 650 TPD by the end of March and sustained those levels for the month of April and May to date.
- All of our other Chemical facilities continue to be operational and performing at acceptable production rates.
- All major capital projects at our El Dorado facility are progressing on-time and on-budget.
- We continue to invest in plant reliability enhancements and safety upgrades at all of our chemical facilities.
- Agricultural market fundamentals continue to be historically strong, although margins for agricultural products are lower than recent years.
- Our Climate Control Business experienced a slow start in Q1, but year-to-date new orders through April are ahead of last year.
- We continue to make progress on our operational excellence (including LEAN manufacturing techniques) initiatives in the Climate Control Business that should result in improved margins.
- We remain focused on executing our 3 year capital and operating plan for our Chemical and Climate Control Businesses.

LSB Consolidated Financial Results

First Quarter 2014

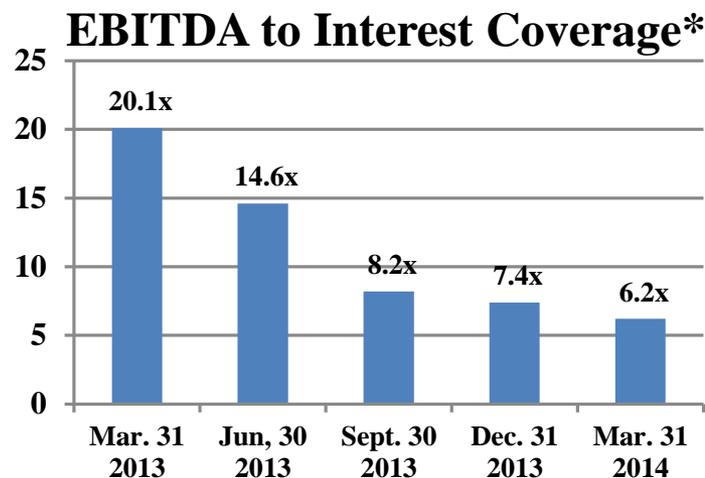
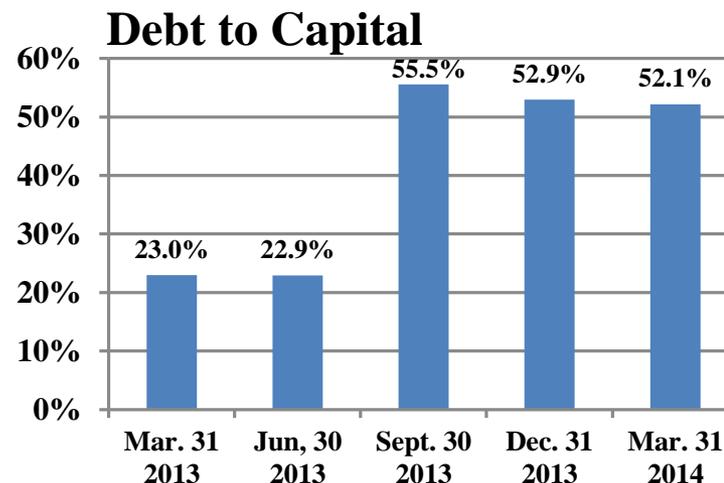
<i>\$ in millions except per share amounts</i>	Three Months Ended March 31,		
	2014	2013	Change
Net Sales	\$178.5	\$150.7	\$27.8
Gross Profit	\$48.7	\$25.4	\$23.3
% of net sales	27.3%	16.9%	10.4%
Selling, General and Administrative	\$27.7	\$24.5	\$3.2
% of net sales	15.5%	16.3%	(0.8%)
Operating Income	\$25.9	(\$0.2)	\$26.1
% of net sales	14.5%	(0.2%)	14.6%
Net Income	\$11.6	(\$0.1)	\$11.7
% of net sales	6.5%	(0.0%)	6.6%
EBITDA	\$34.7	\$6.5	\$28.3
Diluted EPS	\$0.49	(\$0.02)	\$0.51

Solid Financial Position

Strong Balance Sheet

<i>\$ in millions</i>	March 31, 2014	December 31, 2013
Cash (including non-current) and Investments	\$408.9	\$434.7
Total Debt	\$461.9	\$463.0
Stockholders' Equity	\$423.9	\$411.7
Total Capitalization	\$885.8	\$874.7

Note: As of March 31, 2014, total debt consisted of \$425 million 7.75% Senior Secured Notes due in 2019; a \$28 million Secured Promissory Note due in February 2016 and \$9 million of equipment loans and capital leases. Our availability under the \$100 million working capital revolver loan was \$80 million at March 31, 2014.



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

Free Cash Flow

<i>\$ in millions</i>	Three Months Ended Mar. 31,		
	2014	2013	Change
Net Income	\$11.6	(\$0.1)	\$11.7
Gain on Property Insurance Recoveries	(5.1)	0.0	(5.1)
Depreciation, depletion and amortization	8.7	6.6	2.1
Change in Working Capital and Other	5.1	(26.6)	31.7
Net Cash Provided (Used) By Continuing Operating Activities	20.3	(20.1)	40.4
Proceeds from Property Insurance Recovery	\$5.1	\$4.5	0.6
Expenditures for Property, Plant and Equipment	(45.3)	(44.3)	(1.0)
Debt and Financing, Proceeds (Payments)	(6.4)	30.3	(36.7)
Free Cash Flow	(26.3)	(29.6)	3.3

- Working capital changes include accounts receivable, inventory, accounts payable and customer advances.
- Free Cash Flow is a non-GAAP measure.

Planned Capital Spending (as of March 31, 2014 - \$ in millions)

Total Projects (including El Dorado below)

Chemical Business:

El Dorado Facility Expansion Projects
 Development of Natural Gas Leaseholds
 Environmental Projects
 Major Renewal and Improvement Projects
 Other

Total Chemical

Climate Control Business:

Corporate and Other:

Total Projects

Planned Capital Expenditures

	Remainder of 2014	2015	Total
	\$200 - \$235	\$117 - \$152	\$317 - \$387
	8 - 10	11 - 13	19 - 23
	9 - 11	5 - 6	14 - 17
	30 - 40	20 - 30	50 - 70
	18 - 20	19 - 22	37 - 42
Total Chemical	\$265 - \$316	\$172 - \$223	\$437 - \$539
	6 - 7	5 - 10	11 - 17
	6 - 7	7 - 9	13 - 16
Total Projects	\$277 - \$330	\$184 - \$242	\$461 - \$572

El Dorado Expansion Projects

Ammonia Plant
 Nitric Acid Plant and Concentrator
 Other Support Infrastructure
Total El Dorado Projects

Planned Capital Expenditures

	Capitalized to Date	Remainder of 2014	2015	Project Total
	\$53	\$100 - \$125	\$97 - \$122	\$250 - \$300
	60	45 - 50	10 - 15	115 - 125
	-	55 - 60	10 - 15	65 - 75
Total El Dorado Projects	\$113	\$200 - \$235	\$117 - \$152	\$430 - \$500

Chemical Business

First Quarter Highlights

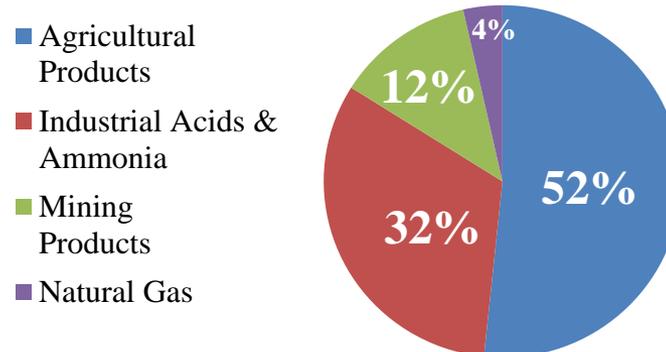
\$ in millions	Three Months Ended March 31,		
	2014	2013	Change
Net Sales	\$115.2	\$77.5	\$37.7
Gross Profit	\$28.4	\$2.4	\$26.0
% of net sales	24.7%	3.1%	21.6%
Operating Income	\$28.8	(\$3.8)	\$32.6
% of net sales	25.0%	(4.9%)	29.9%
Segment EBITDA	\$36.3	\$1.6	\$34.7
Capital Expenditures	\$43.4	\$47.5	(\$4.1)

- 2014 sales increased due to production during the quarter at the Cherokee Facility (compared to no production in the second quarter 2013) and the resumption of ammonia production at the Pryor Facility in March 2014.
- 2014 gross profit increased primarily due to the business interruption insurance recovery of \$23 million (allocated to cost of sales) compared to \$11 million in 2013 and higher sales as noted above.

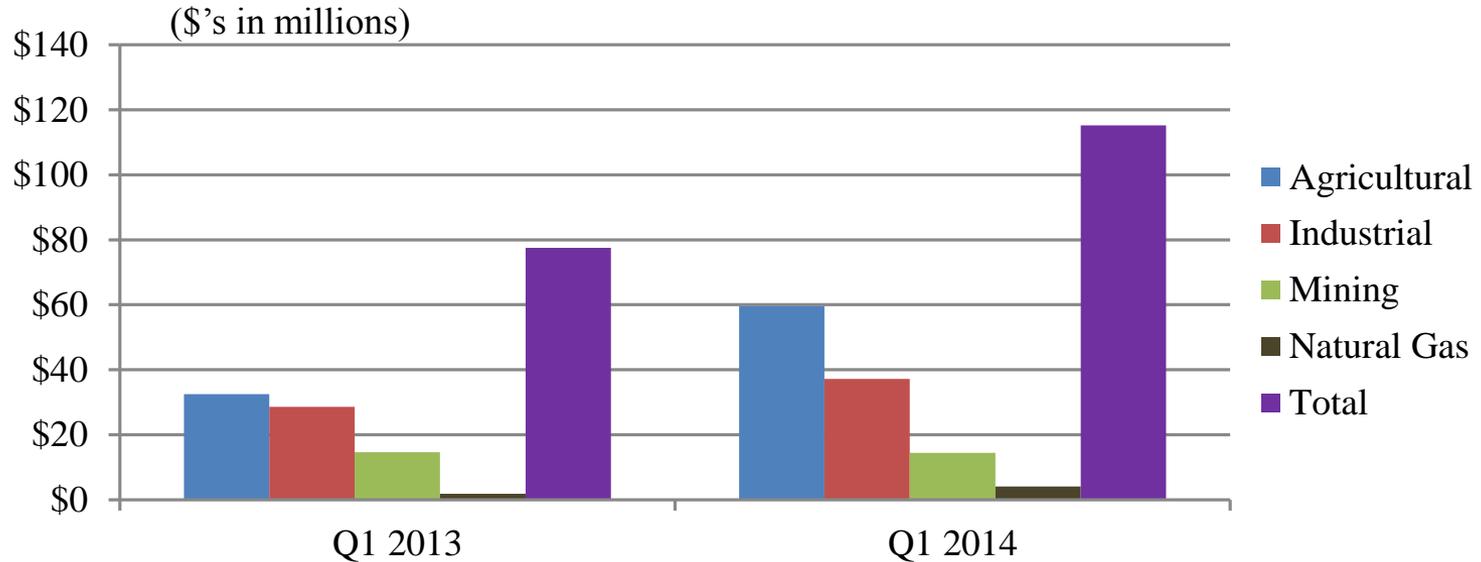
Normalized Operating Income

	3 Months Ended March 31,	
	2014	2013
Reported Operating Income	\$ 29	\$ (4)
Add: Downtime		
Estimated effect of downtime on operating income by facility (mid-range):		
El Dorado	1	4
Cherokee	-	25
Pryor	13	26
Total Downtime	14	55
Less: Insurance Recoveries	(28)	(11)
Net: Downtime exceeds (less than) insurance	(14)	44
Normalized Operating Income	\$ 15	\$ 40

2014 Q1 Sales Mix



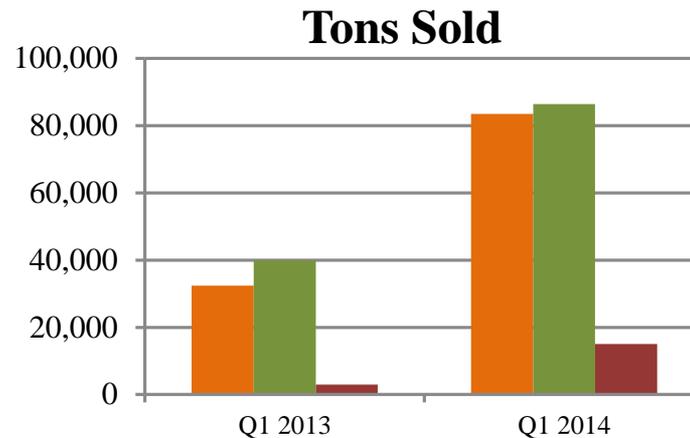
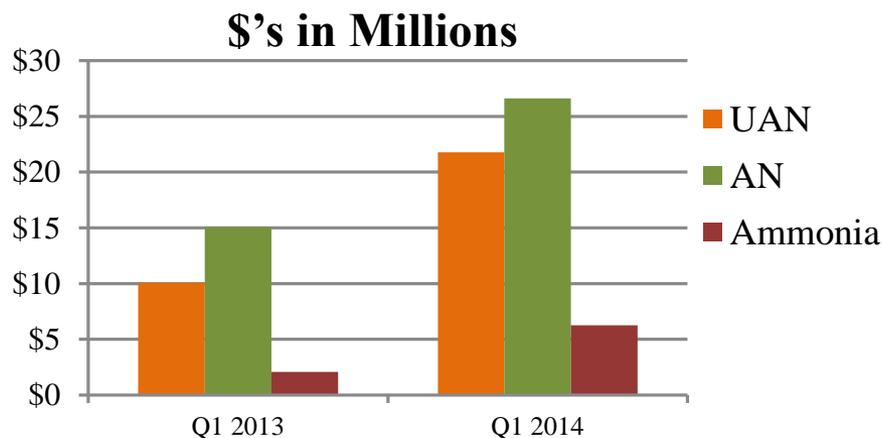
Overall Chemical Sales



Changes from 2013 to 2014	Agricultural Products	Industrial Acids	Mining Products	Natural Gas	Total
First Quarter	83%	30%	(1%)	128%	49%

- Agricultural and Industrial sales increases were due to higher production levels at all facilities.

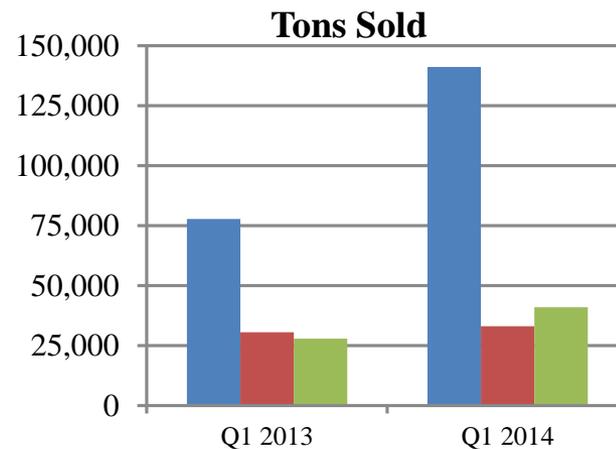
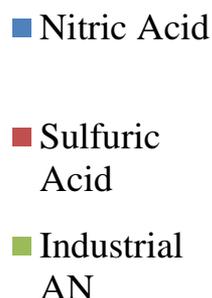
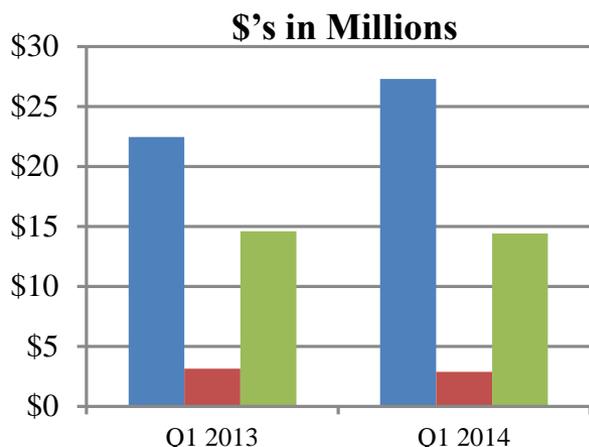
Agricultural Chemical Sales



Changes from 2013 to 2014	UAN		AN		Ammonia	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
First Quarter	116%	158%	77%	117%	203%	400%

- Sales increased due to production during the quarter at the Cherokee Facility (compared to no production in the second quarter 2013) and the resumption of ammonia production at the Pryor Facility in March 2014.
- AN volumes higher due to improved market conditions.
- Market prices were lower on all nitrogen products.

Industrial Acids & Mining Sales



Changes from 2013 to 2014	Nitric Acid		Sulfuric Acid		Industrial AN	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
First Quarter	22%	81%	(8%)	8%	(1%)	47%

- Nitric acid volume was up due to higher customer demand and the impact of a turnaround at Baytown facility in Q1 2013.
- Industrial grade AN volumes in tons increased as a result of increased production at the Cherokee Facility.
- Industrial grade AN sales down due to lower ammonia feedstock costs pass through pursuant to cost-plus arrangements.

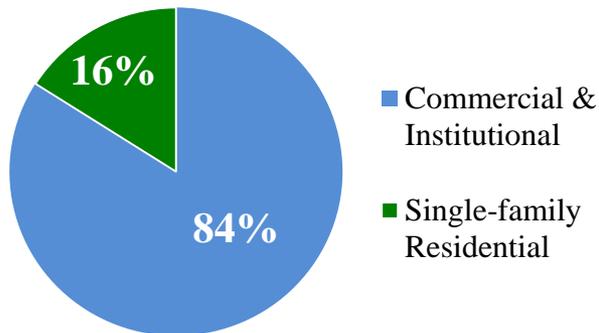
Climate Control Business

First Quarter Highlights

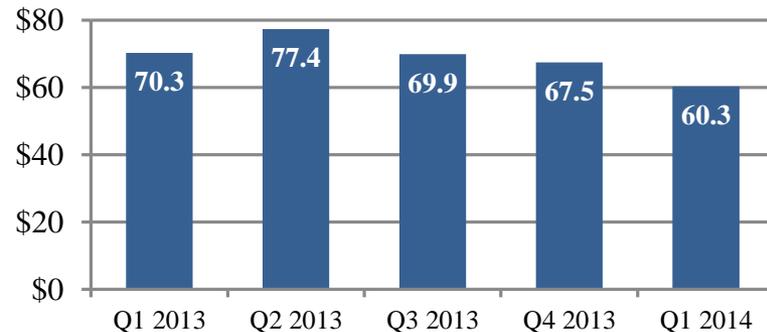
\$ in millions	Three Months Ended March 31,		
	2014	2013	Change
Net Sales	\$60.3	\$70.3	(\$9.9)
Gross Profit	\$19.3	\$22.0	(\$2.7)
% of net sales	31.9%	31.3%	0.7%
Operating Income	\$4.3	\$6.4	(\$2.1)
% of net sales	7.2%	9.1%	(1.9%)
Segment EBITDA	\$5.5	\$7.2	(\$1.7)
Capital Expenditures	\$0.5	\$2.0	(\$1.5)

- Sales of our hydronic fan coils were up while all other product sales were down.
- The decrease in gross profit was the result of lower sales volume, but improved as a percentage of sales primarily due to lower material costs.
- Operating income decreased by the reduction in gross profit, partially offset by lower operating expenses, primarily variable selling cost related to lower sales volume.

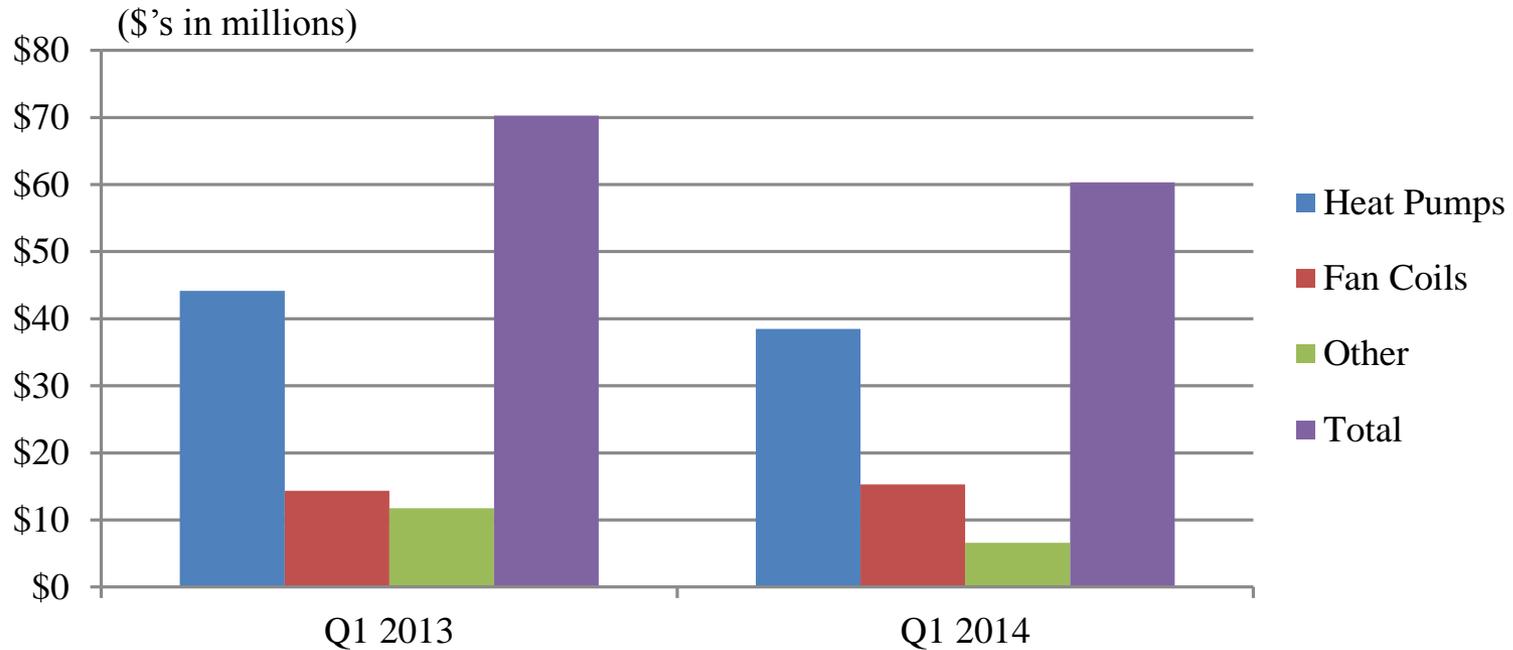
Sales Mix



Sales (millions)



Climate Control Sales

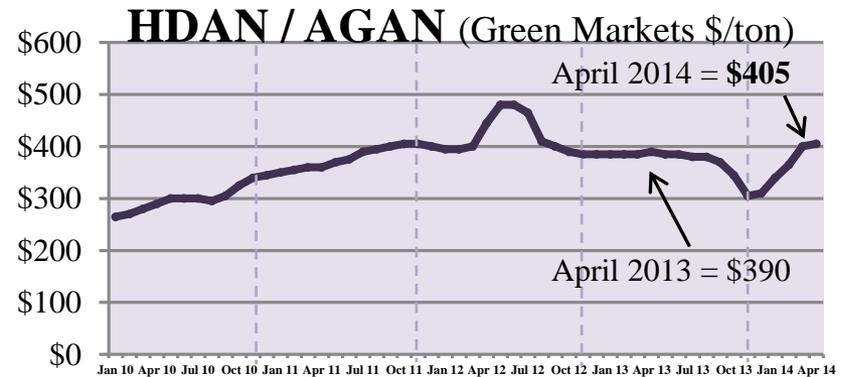
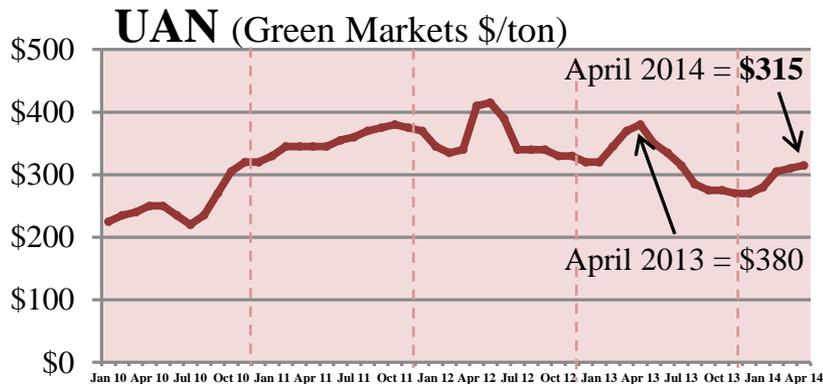
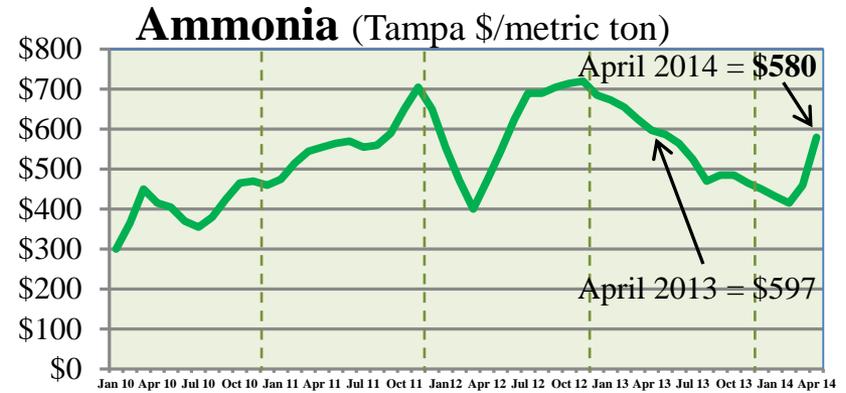
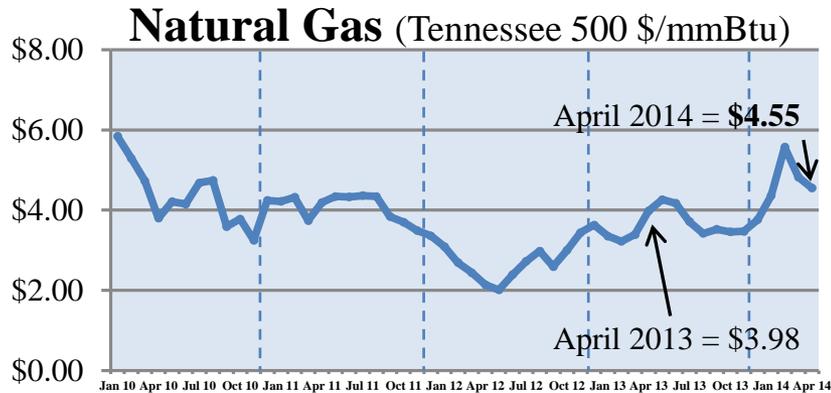


Changes from 2013 to 2014	Heat Pumps	Fan Coils	Other	Total
First Quarter	(13%)	6%	(44%)	(14%)

- Sales were down for commercial and institutional products as well as residential products.

Chemical Commodity Prices

Feedstocks & End Products



Chemical Agricultural Market Outlook

Favorable Indicators:

- ✓ Planting levels high
- ✓ Crop prices favorable to growers
- ✓ Fertilizer demand strong
- ✓ Natural gas feedstock cost low

Grain Stock-to-use ratios:

- ✓ At or below historic levels

(Source: USDA WASDE report, 04-09-14 for crop year 2013/14)

- US Corn = 9.9%
- World Corn = 16.6%
- World Wheat = 26.0%

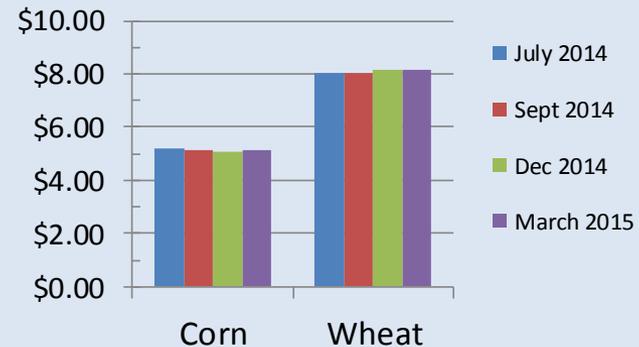
Fertilizer Prices:

- ✓ Lower than a year ago

Wild Cards:

- Weather conditions
- Ethanol production
- Chinese urea exports

Forward Crop Prices / Bushel



Sources:

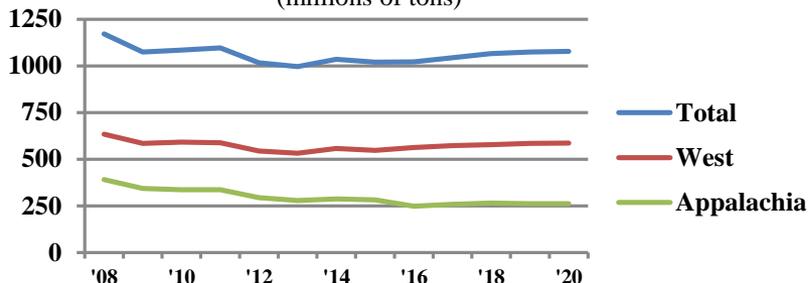
Corn: Chicago Board of Trade 4-29-14 close
Wheat: Kansas City Board of Trade 4-29-14 close

Chemical Market Outlook: Industrial & Mining

Coal Production Projections

Source: Dept. of Energy – Energy Information Agcy.

2014 Annual Energy Outlook Early Release & Short-Term Energy Outlook
(millions of tons)



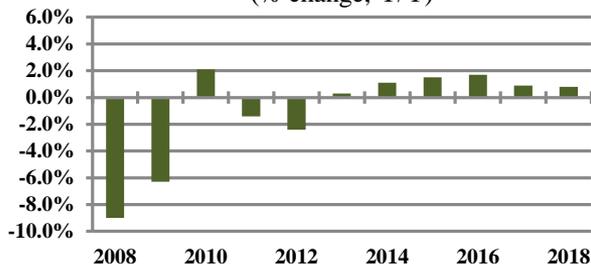
Coal – AN and AN solution are used for surface mining. Ammonia is used for NOx abatement. In 2013, coal accounted for 39% electricity generation. The forecast is for this to be 40% in 2014 based on higher natural gas prices.

U.S. Paper Production

Source: American Chemistry Council

Year End 2013 Situation & Outlook

(% change, Y/Y)

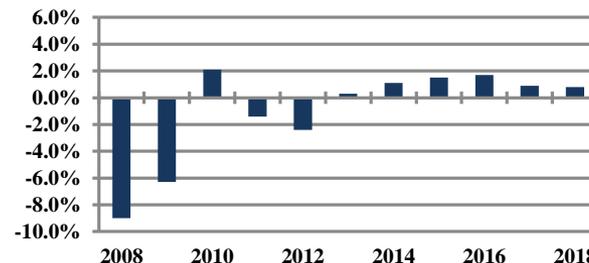


Paper Products – Sulfuric acid is used for paper bleaching and water treatment. LSB's sulfuric acid markets are regionalized, and a balanced North American market has benefited us, with steady demand.

Light Vehicle Sales

Source: American Chemistry Council, Year End 2013

Situation & Outlook (millions of units)

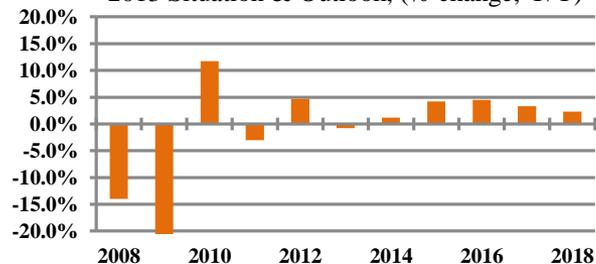


Polyurethane Intermediates: LSB's chemical business supplies nitric acid for polyurethane intermediates used in many automotive applications. Light vehicle sales are projected to increase 3% in 2014, and then be stable through 2018.

Basic Chemicals: Inorganics

Source: American Chemistry Council, Year End

2013 Situation & Outlook, (% change, Y/Y)



Basic Chemicals: Inorganics – These industry statistics provide a good overall indicator of LSB's industrial chemical business. After a strong performance in 2012, the sector was adversely impacted by the recession in Europe in 2013, and overall was down 0.8% for the year. 2014 is expected to increase slightly.

El Dorado Chemical Co.



Pryor Chemical Co.



Cherokee Nitrogen Co.



El Dorado Nitric Co.



Facilities Status

- **El Dorado Chemical** (El Dorado, AR)
 - All acid plants are operational
 - Nitric acid capacity 80% of pre May 2012 incident
 - Constructing Weatherly 65% nitric acid plant and concentrator – estimated completion during mid-2015
 - Constructing ammonia plant – estimated completion late 2015

- **Pryor Chemical** (Pryor, OK)
 - Resumed production in late February 2014 and achieved record ammonia production in April.
 - Resumed urea and UAN production in early May 2014.

- **Cherokee Nitrogen** (Cherokee, AL)
 - Operating at historical production levels

- **El Dorado Nitric** (Baytown, TX)
 - Operating at optimum performance levels

Ammonia Plant Project Status

- Capacity = 375,000 TPY
- Estimated Completion: Q4 2015
- Estimated Start-up: Q1 2016
- Benefits:
 - ✓ Reduced ammonia costs
 - ✓ Basic in ammonia supply
 - ✓ Additional capacity
 - ✓ Enhanced product balance opportunities

Project Elements	Status
Dismantle/Move Plant - LA to AR	Complete
Environmental Permit (Air)	Complete
Frontend Engineering Design [FEED], (Foundations, Underground Piping, Structural Steel, Above Ground Piping, Instrumentation, Electrical)	Ongoing / On Schedule
Inspections of base equipment and use, rebuild, or replace	Ongoing / On Schedule
Inspections of Rotating Equipment and Rebuild to Manufacturer's specification	Ongoing / On Schedule
Foundations & Concrete Base	Ongoing / On Schedule
Underground Piping	Planned / On Schedule
Setting Equipment	Planned / On Schedule
Structural Steel	Planned / On Schedule
Aboveground Piping	Planned / On Schedule
Instrumentation & Electrical	Planned / On Schedule
Commissioning	Planned / On Schedule
Staffing & Training	Planned / On Schedule
Initial Start-up	Planned / On Schedule



Nitric Acid Pant & Concentrator Project Status

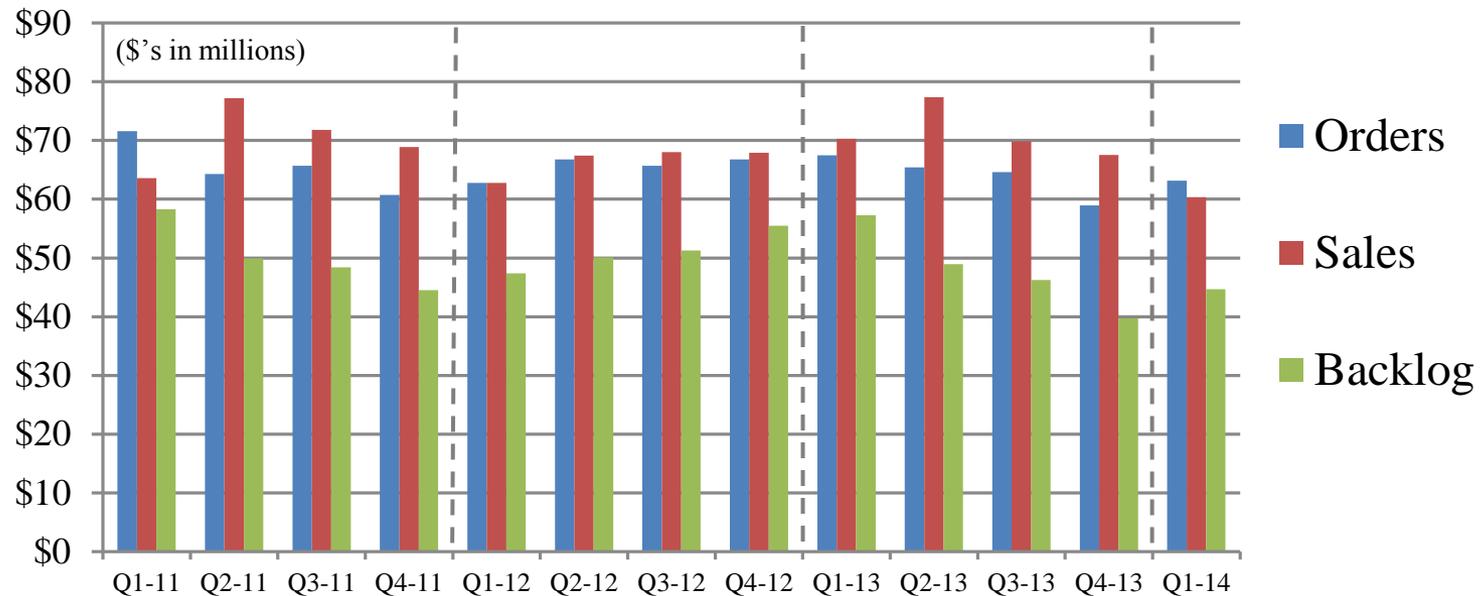
- Capacity = 370,000 TPY
- Estimated Completion: Q2 2015
- Estimated Start-up: Q2 2015
- Benefits:
 - ✓ Replace lost acid capacity
 - ✓ Additional capacity
 - ✓ Enhanced product balance
 - ✓ Improved operating characteristics



Project Elements	Status
Contract with Weatherly for NACSAC Engineering and Equipment supply	Complete
Environmental Permit (Air)	Complete
Basic Engineering Package	Complete
Detailed Engineering Package	95% complete / On schedule
Equipment Procurement	Complete
Foundations & Concrete Base	Ongoing / On schedule
Underground Piping	Planned / On Schedule
Building Erection	Ongoing / On schedule
Setting Equipment	Ongoing / On schedule
Structural Steel	Ongoing / On schedule
Aboveground Piping	Planned / On Schedule
Instrumentation & Electrical	Planned / On Schedule
Commissioning	Planned / On Schedule
Staffing & Training	Planned / On Schedule
Initial Start-up	Planned / On Schedule



Climate Control Orders, Sales & Backlog



Changes from Q1 2013 to Q1 2014	Commercial & Institutional	Single Family Residential	Total
New Orders	(4%)	(20%)	(6%)
Sales	(14%)	(14%)	(14%)
Ending Backlog at 3-31	(18%)	(68%)	(22%)

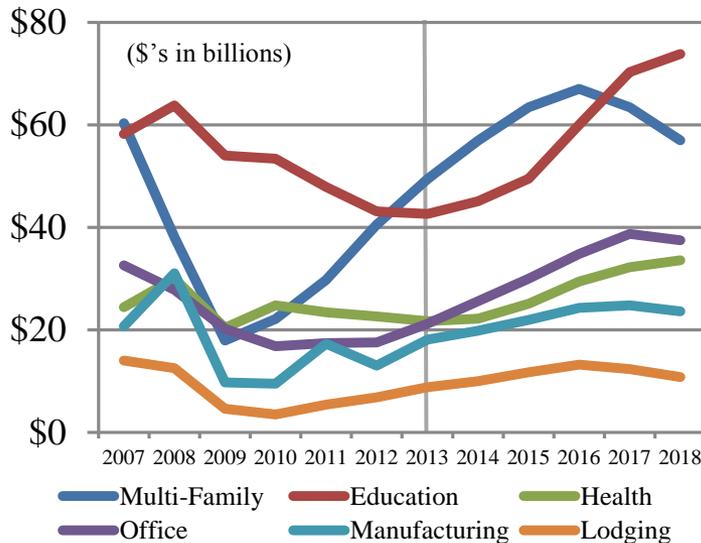
- *Bookings YTD through April 2014 were \$96 million, 4% higher than 2013.*
- *Backlog at April 30, 2014 was \$59 million compared to \$40 million at Dec. 31, 2013.*

Climate Control Market Outlook

Commercial & Institutional Construction

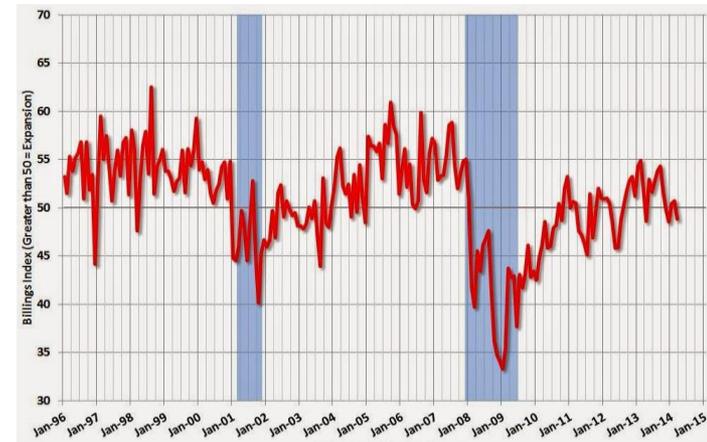
Construction Awards

Source: McGraw-Hill Construction Market
Forecasting Service, Q2 2014



- In 2013, these combined markets accounted for approx. 59% of total Climate Control sales and 71% of sales of commercial and institutional products.
- Aggregate increase forecast by 2018 is 46%.

March 2014 Architectural Billings Index = 48.8



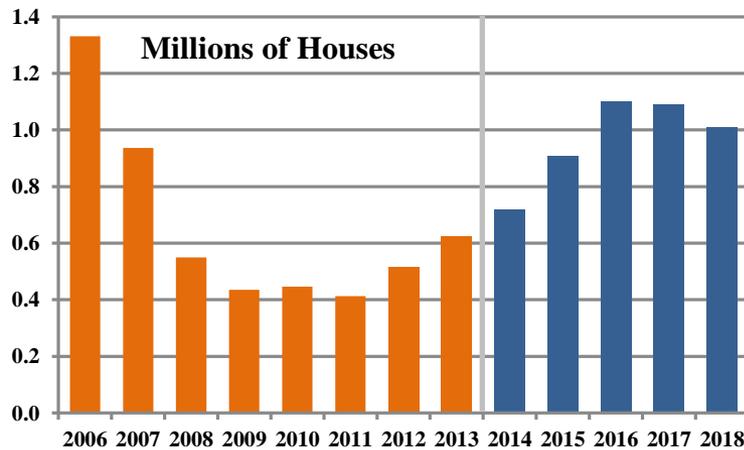
“This protracted softening in demand for design services is a bit of a surprise given the overall strength of the market the last year and a half,” said AIA Chief Economist Kermit Baker. “Hopefully, some of this can be attributed to severe weather conditions over this past winter. We will have a better sense if there is a reason for more serious concern over the next couple of months.”

The Architectural Billings Index (ABI), produced by the American Institute of Architects (AIA) Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings and scores below 50 indicate a decline.

Climate Control Market Outlook

Single Family Residential Construction Starts

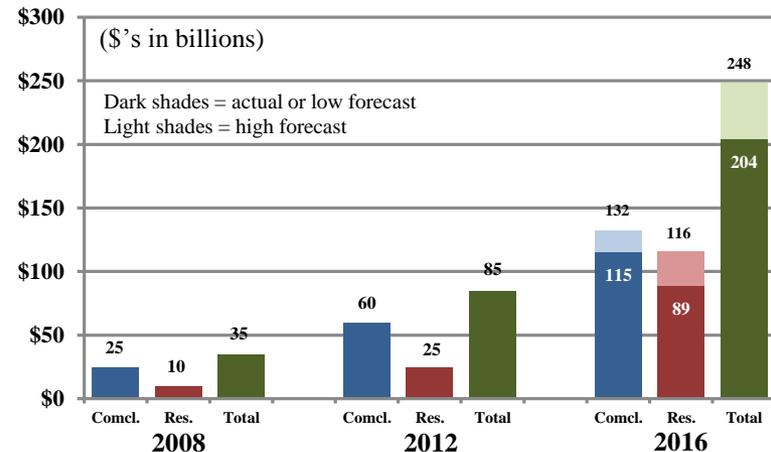
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q2 2014



- Single family residential products (geothermal heat pumps) accounted for approximately 17% of all Climate Control sales during 2013.
- This market is forecast to grow significantly over the next three years, although still below pre-2007 levels.

Green Construction Market Forecast to Grow

Source: 2013 Dodge Construction Green Outlook



- The total green building market size is forecast to be from \$204 billion to \$248 billion in 2016.
- Dodge estimates that in 2016, 48% to 55% of new non-residential construction starts and 29% to 38% of residential construction starts (by value) will be green.
- Energy efficiency and savings continue to be a key drivers for green construction.

Climate Control OpEx Initiatives

Important Elements:

- **Product Cost Reduction** - Eliminating unnecessary features and options (reduced product complexity) that increase product cost unnecessarily and improves manufacturability which reduces labor content. *Increases factory throughput and quality and standardization of product components.*
- **Customer Interface** - Enhancing ordering and selection tools that our customers use to purchase products. This also leverages growth without additional staffing. *Increases volume and market share.*
- **Manufacturing Efficiency** - Improving processes in the manufacturing operations, increased machine utilization and improved material flow increases capacity, *all without significant capital expenditures or proportionate labor.* Reduces raw material, work in process and finished goods inventory levels.
- **Total Enterprise Efficiency** - Streamline “quote to ship” process by eliminating waste which *leverages growth by enabling an increase in business without increasing resources proportionately.*
- **Product Development** - Improved product development processes resulting in *better/faster designed products, and higher quality to meet customer needs.*

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.
- **Capital 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.
- **Operational excellence initiatives (including LEAN manufacturing techniques) in our Climate Control Business** to facilitate improved operational metrics and reduce costs.

EBITDA Reconciliations (in millions)

Reconciliation of Consolidated Net Income (Loss) and Segment Operating Income (Loss) 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.

LSB Industries, Inc. Consolidated	Three months ended 3-31		Trailing Twelve months ended 3-31	
	2014	2013	2014	2013
Net income (loss)	\$ 11.6	\$ (0.1)	\$ 66.7	\$ 44.2
Plus:				
Interest expense	6.7	0.7	20.0	3.8
Depreciation and amortization	8.7	6.6	30.5	22.3
Provisions for income taxes	7.7	(0.7)	43.8	25.0
Loss from discontinued operations	-	-	0.2	0.2
EBITDA per conference call	\$ 34.7	\$ 6.5	\$ 161.2	\$ 95.5
Climate Control Business				
Operating income	\$ 4.3	\$ 6.4	\$ 28.3	\$ 26.4
Plus:				
Equity in earnings of affiliate	0.1	0.2	0.3	0.7
Depreciation and amortization	1.1	0.6	3.3	2.5
EBITDA per conference call	\$ 5.5	\$ 7.2	\$ 32.0	\$ 29.6
Chemical Business				
Operating income (loss)	\$ 28.8	\$ (3.8)	\$ 120.4	\$ 57.9
Plus:				
Non-operating income	0.1	-	0.1	-
Depreciation and amortization	7.4	5.4	25.6	17.8
EBITDA per conference call	\$ 36.3	\$ 1.6	\$ 146.1	\$ 75.7



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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