LSB Industries, Inc.

NYSE: LXU

June 2014

Safe Harbor Statement

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: For Chemical Business: Major investments underway to reduce costs and increase facility reliability; Positioned to benefit from strong agricultural market with favorable margins; Strong regional market positions serving the Corn Belt and South Central U.S.; Product balance options; Capital expansion projects reduce production costs significantly vs. purchased ammonia; Estimated completion Q4 2015/Start-up Q1 2016 for El Dorado ammonia plant; El Dorado nitric acid plant and concentrator will have a cost of $115 million to $125 million, improves operating characteristics, enhances product balance, replaces lost acid capacity and adds capacity for a total of 375,000 TPY, and estimated completion and start-up of Q2 2015; Fundamentals of the nitrogen fertilizers we produce remain positive; Gross margins remain historically strong; LSB Value Drivers; Pryor facility reliability improvements; capital projects at El Dorado; Corn pricing remains at favorable levels for growers; Comprehensive upgraded Chemical Business safety and plant reliability systems will improve plant up-time and reduce risks of unplanned downtime. For Climate Control Business: Market and technology leader for geothermal heat pumps, water source heat pumps, and hydronic fan coils; Poised to benefit from the economic recovery, long-term trend toward green construction, and growth of emerging products; Construction markets are poised for a recovery to pre-recession levels; Climate control’s product sales should outgrow broader markets; Leading indicators point to solid growth over the next three years in commercial and institutional construction, as well as residential housing starts; Anticipate an improvement in all the major sectors that we serve, especially lodging, multi-family housing and education; LEAN operational excellence margins.

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.

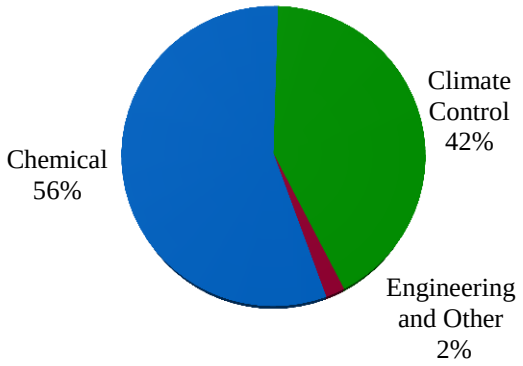
The term EBITDA, as used in this presentation, is net income plus interest expense, depreciation, amortization, income taxes, and certain non-cash charges, unless otherwise described. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to GAAP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

Company Overview

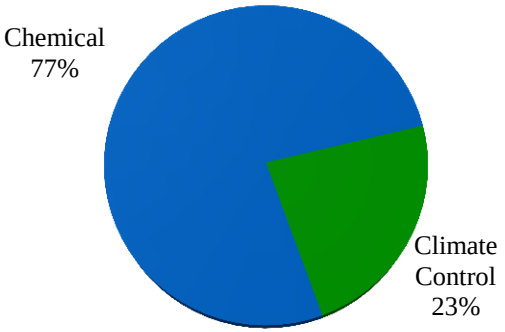
Business Overview

- **Diversified industrial manufacturer of chemical 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 3/31/14 Net Sales of $707.1 million
  - LTM 3/31/14 Consolidated Adjusted EBITDA of $161.2 million

2013 Net Sales by Business Segment



2013 Consolidated EBITDA by Business Segment



Note: Excludes unallocated corporate expenses

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

LSB's Two Core Businesses

Chemical

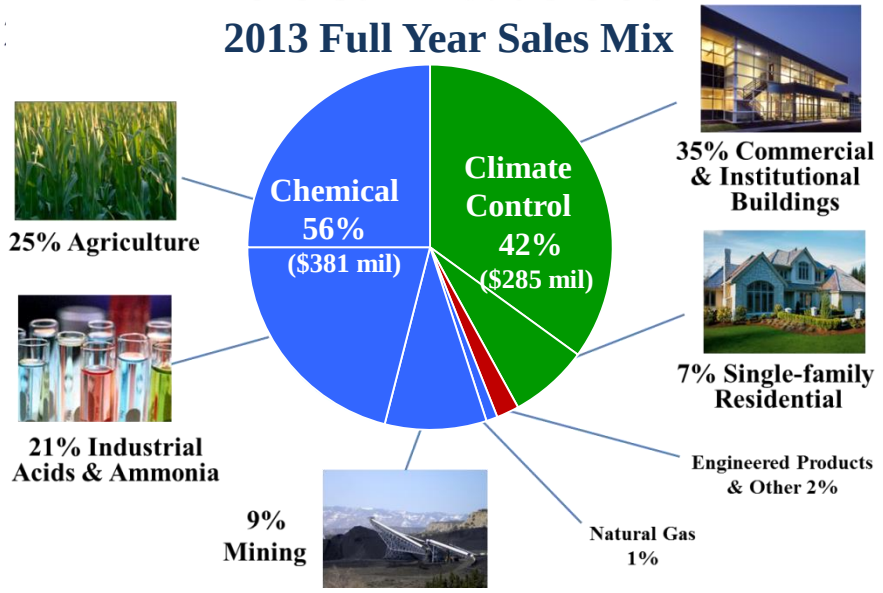
- Provides nitrogen based agricultural, mining and industrial chemicals to North American market
- Leading merchant marketer of nitric acid in the U.S.
- Major investments underway to reduce costs and increase facility reliability and capacity
- Positioned to benefit from strong agricultural market with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

Climate Control

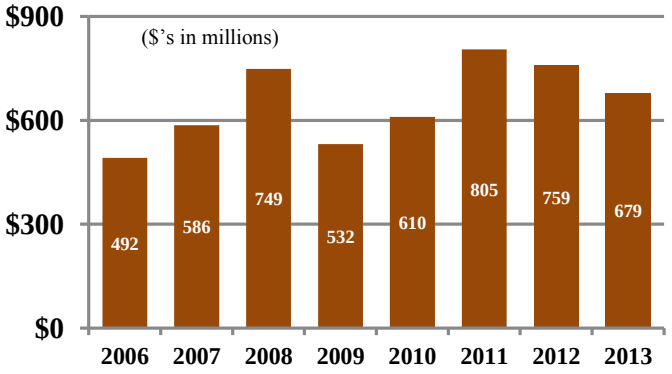
- Provides specialty HVAC products to commercial, institutional and residential new construction, renovation and replacement markets, emphasis on green products
- Market and technology leader for geothermal heat pumps, water source heat pumps, and hydronic fan coils
- Poised to benefit from the economic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

Where Our Products Go

2013 Full Year Sales Mix



Consolidated Sales History



Business Segment Overview

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 below historical levels

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 below historical levels.

Result:

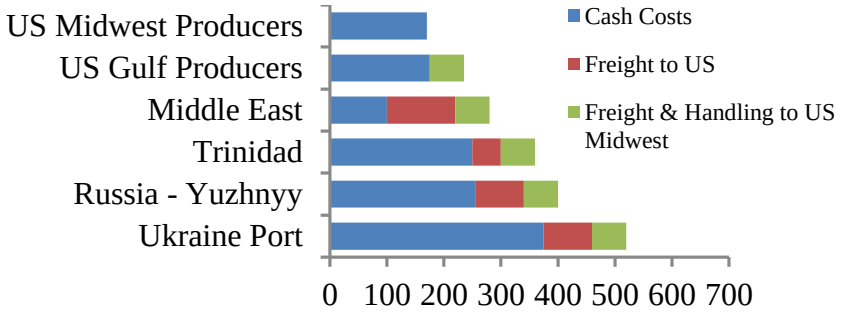
- **High demand for grain expected in 2014 and beyond.**

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 very low natural gas prices vs. most places worldwide.
- Natural gas is expected to average between $4.50 and $5.00 per MMBtu in 2014.

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

Source: Fertecon, Blue Johnson, PotashCorp (2013)



Chemical Markets and Products

Market	Products	Uses	Competitors
Agro-Chemical (44% 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 (37% 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 (17% 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

Major Chemical Customers

Bayer

Strategically Located Chemical Facilities, Long-Standing Customers, Unique Business Model

Chemical End Markets

UAN, AN and NH3 fertilizers

AN and AN solutions for mining industry

Nitric acid for industrial uses

Strong Market Positions Across Footprint

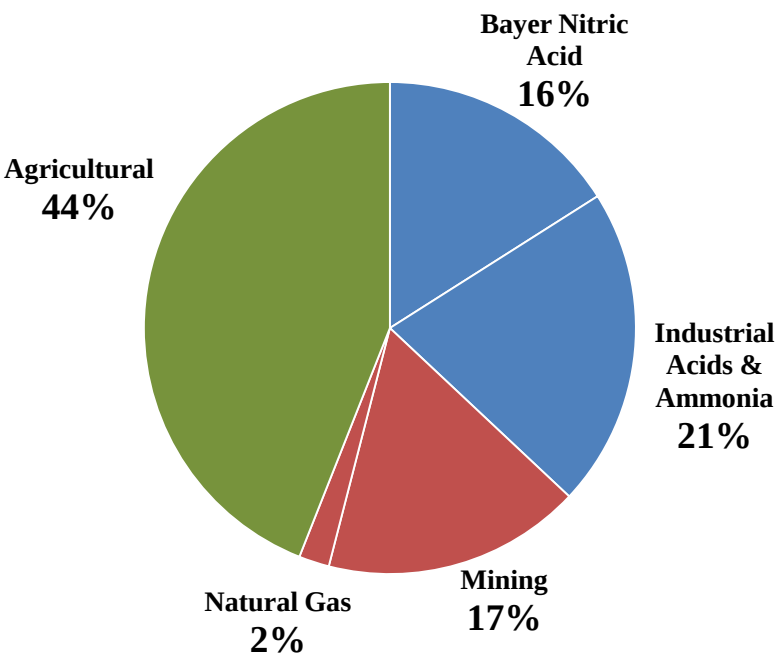
- ✓ **Strong regional market positions serving the Corn Belt and South Central U.S.**
  - Multiple distribution channels
  - Located on major rail transport routes (single haul rail and river access at Cherokee)
  - Access to ammonia pipeline at EDC
- ✓ **Average relationship of over 15 years with top 5 customers – includes several blue-chip customers**
- ✓ **Reduced commodity exposure through cost plus agreements (feedstock and production costs plus profit component)**

Product offering applicable across a broad range of end markets

Operational Dynamics

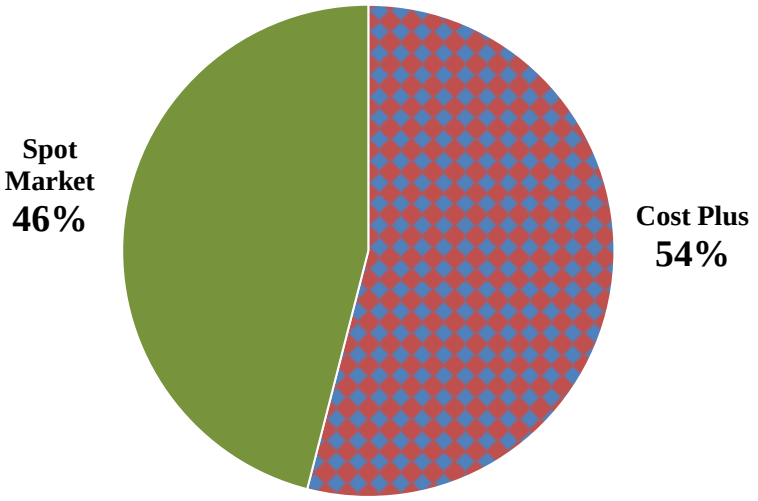
Diversification Strategy with Product Balance Options

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.*

2013 Sales Mix

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
Plant Area (acres) Site Area (acres)		150 1400	160 1300	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
	Concentraed 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, barge	truck, rail	truck, pipeline

Annual Production Capacity for Products Available for Sale

(000's of tons)

Facility		El Dorado Chemical Company	Cherokee Nitrogen LLC	Pryor Chemical Company	El Dorado Nitric LLC
Feedstock		ammonia	natural gas	natural gas	ammonia
Agricultural Products	UAN		215	300	
	High Density AN	110/300			
	Ammonia	125	30	85	
Industrial & Mining Products	Nitric Acid	45/200	30		410
	DEF		15		
	Low Density AN	220			
	AN solutions		85		

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

Capital Expansion Projects

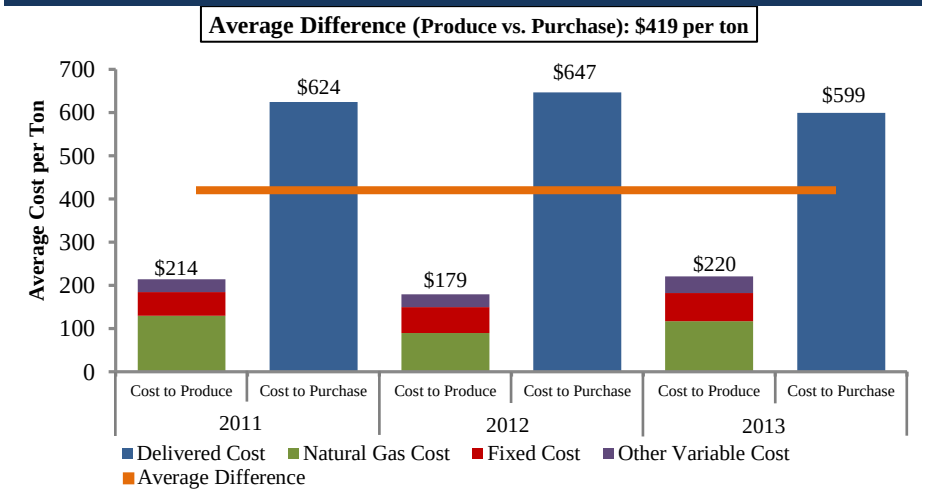
El Dorado Ammonia Plant

- Cost of $250 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 $115 million - $125 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

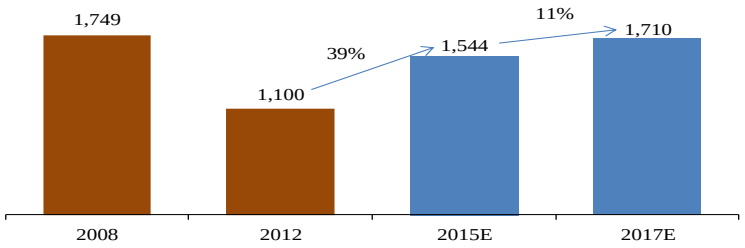
Attractive Industry Fundamentals: Climate Control

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

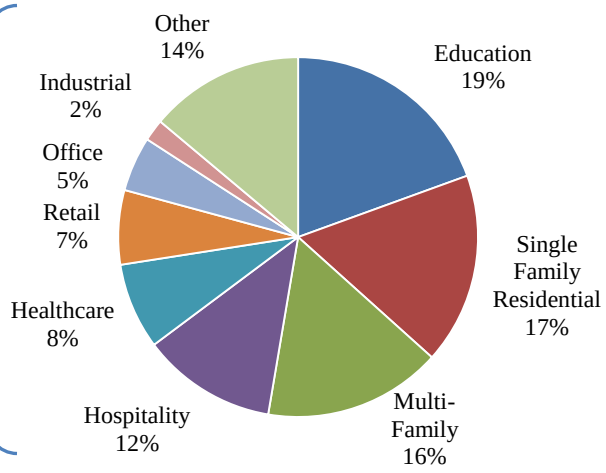
Commercial / Institutional / Multi-Family Starts

(MM Square Feet)



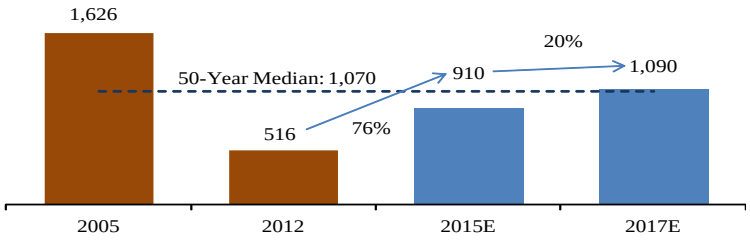
Climate Control 2013 End Market Mix

Total Commercial, Institutional and Multi-Family: 83%



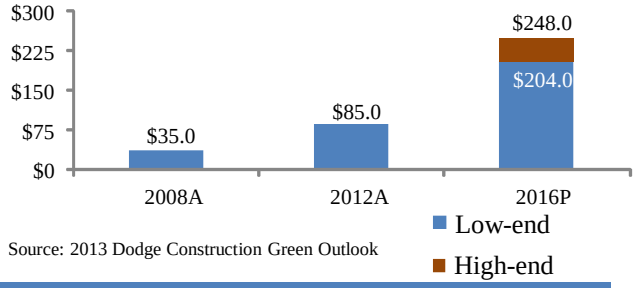
Single Family Residential Construction

(Starts in 000's)



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

($ in Billions)



Source: 2013 Dodge Construction Green Outlook

Sources: McGraw-Hill Construction Market Forecasting Service, Q2 2014; 50 Year Median – Census Bureau

Climate Control Market and Products

Market	Products	Uses	
Geothermal & Water Source Heat Pumps (64% of sales)	**Water Source Heat Pumps**	Heating and cooling for commercial/institutional markets as well as single family residential new construction renovation and replacements	
	Geothermal Heat Pumps	Heating and cooling for commercial/institutional markets as well as single family residential new construction renovation and replacements	Leading share in water source and geothermal heat pumps
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 (13% of sales)	**Large Custom Air Handlers**	Commercial, institutional and industrial uses	
	Modular Chillers	Commercial, institutional and industrial uses	 
	Make-up Air Units	Commercial, institutional and industrial uses	

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	3 Mos. Ended March 31, 2014	2013
Sales	$679.3	$759.0	$805.3	$609.9	$178.5	$150.7
Sales Growth	(11)%	(6)%	32%	15%	19%	(21)%
Operating Income/(Loss)	$105.3	$95.7	$136.4	$55.9	$25.9	($0.2)
Net Income/(Loss)	$55.0	$58.6	$83.8	$29.6	$11.6	($0.1)
Diluted Earnings/(Loss) per Share	$2.33	$2.49	$3.58	$1.32	$0.49	($0.02)
EBITDA	$132.9	$117.3	$155.7	$74.3	$34.7	$6.5
EBITDA Margin	20%	15%	19%	12%	19%	4%

Segment Summary Statement of Operations

Chemical Business

	Calendar Year Ended Dec. 31,				3 Mos. Ended March 31,	
$ in millions	2013	2012	2011	2010	2014	2013
Sales	$380.7	$477.8	$511.9	$351.1	$115.2	$77.5
Gross Profit	46.2	97.7	130.7	49.3	28.4	2.4
Gross Profit %	12.1%	20.4%	25.5%	14.0%	24.7%	3.1%
Operating Income/(Loss)	87.8	82.1	116.5	31.9	28.8	(3.8)
Segment EBITDA	$111.4	$98.5	$131.2	$45.0	$36.3	$1.6

Climate Control Business

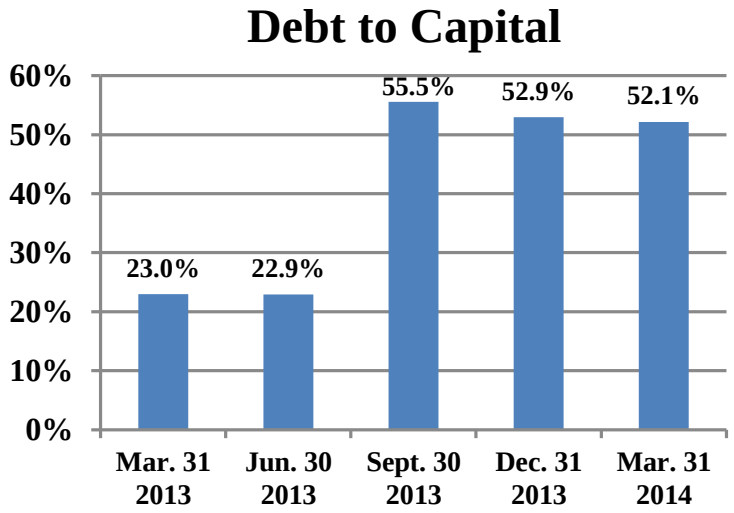
	Calendar Year Ended Dec. 31,				3 Mos. Ended March 31,	
$ in millions	2013	2012	2011	2010	2014	2013
Sales	$285.0	$266.2	$281.6	$250.5	$60.3	$70.3
Gross Profit	92.9	81.0	88.2	86.4	19.3	22.0
Gross Profit %	32.6%	30.4%	31.3%	34.5%	31.9%	31.3%
Operating Income	30.4	25.8	32.8	35.3	4.3	6.4
Segment EBITDA	$33.6	$29.0	$35.5	$38.8	$5.5	$7.2

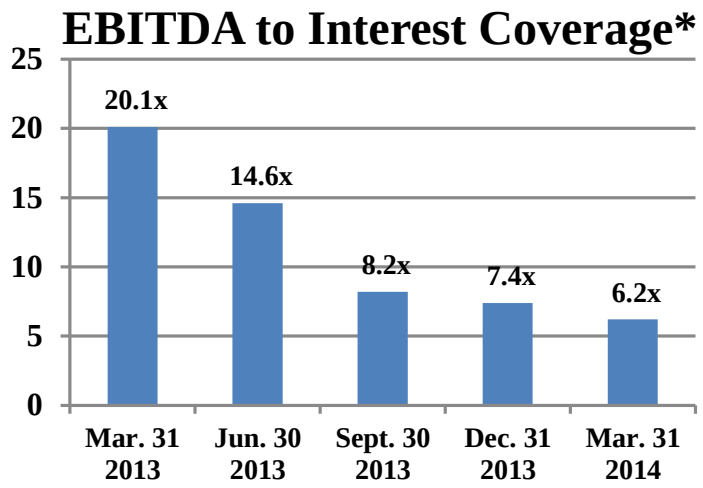
Solid Financial Position

Strong Balance Sheet

$ in millions	March 31, 2014	December 31, 2013
Cash 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 with final payment due in February 2016 and $9 million of equipment loans and capital leases. Our $100 million working capital revolver is undrawn and availability under this facility was approximately $80 million at March 31, 2014.





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

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

Total Projects (including El Dorado below)

	Planned Capital Expenditures		
	Remainder of 2014	2015	Total
Chemical Business:			
El Dorado Facility Expansion Projects	$200 - $235	$117 - $152	$317 - $387
Development of Natural Gas Leaseholds	8 - 10	11 - 13	19 - 23
Environmental Projects	9 - 11	5 - 6	14 - 17
Major Renewal and Improvement Projects	30 - 40	20 - 30	50 - 70
Other	18 - 20	19 - 22	37 - 42
Total Chemical	**$265 - $316**	**$172 - $223**	**$437 - $539**
Climate Control Business:	**6 - 7**	**5 - 10**	**11 - 17**
Corporate and Other:	**6 - 7**	**7 - 9**	**13 - 16**
Total Projects	**$277 - $330**	**$184 - $242**	**$461 - $572**

El Dorado Expansion Projects

		Planned Capital Expenditures		
	Capitalized to Date	Remainder of 2014	2015	Project Total
Ammonia Plant	$53	$100 - $125	$97 - $122	$250 - $300
Nitric Acid Plant and Concentrator	60	45 - 50	10 - 15	115 - 125
Other Support Infrastructure	-	55 - 60	10 - 15	65 - 75
Total El Dorado Projects	**$113**	**$200 - $235**	**$117 - $152**	**$430 - $500**

Outlook

Chemical

- Positive fundamentals remain for the nitrogen fertilizers we produce.
- Gross margins remain historically strong although lower than 2013.
- 2013's improved corn harvest resulted in a higher stock-to-use ratio and lower forward corn prices, however pricing remains at favorable levels for growers.
- The 2014 planting seasons for both corn and wheat started slowly due to weather conditions, but have come back to historical levels.
- Growth is forecasted for the next few years for the industrial markets we serve.

Climate Control

- Leading indicators point to solid growth over the next three years in commercial and institutional construction, as well as residential housing starts.
- Rate of recovery in the commercial and institutional sectors seems to be lagging behind the recovery in the general single-family residential construction market.
- Anticipate an improvement in all the major sectors that we serve, especially lodging, multi-family housing and education.
- LEAN operational excellence initiatives should result in enhanced margins.

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 leading to expanding margins.

Appendix

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	**$ 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
Segment EBITDA	**$ 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
Segment EBITDA	**$ 36.3**	**$ 1.6**	**$ 146.1**	**$ 75.7**

Chemical Business Operating Metrics

	Three Months Ended March 31,		
Agricultural:	**2014**	**2013**	**% Change**
Product (tons sold)			
Urea ammonium nitrate (UAN)	83,516	32,419	158%
Ammonium nitrate (AN)	86,403	39,904	117%
Anhydrous ammonia	15,057	3,012	400%
Other	5,557	5,222	6%
	190,533	80,557	137%
Average Selling Prices (price per ton)			
UAN	$261	$311	(16%)
AN	$308	$377	(18%)
Anhydrous ammonia	$416	$687	(39%)
Input Costs			
Average purchased ammonia cost/ton	$419	$619	(32%)
Average natural gas cost/MMbtu*	$5.25	$3.78	39%
Industrial:			
Product (tons sold)			
Nitric acid	141,142	77,829	81%
AN and AN solution	40,981	27,961	47%

**Gross cost excluding any hedging activity*

LSB's Agricultural Distribution

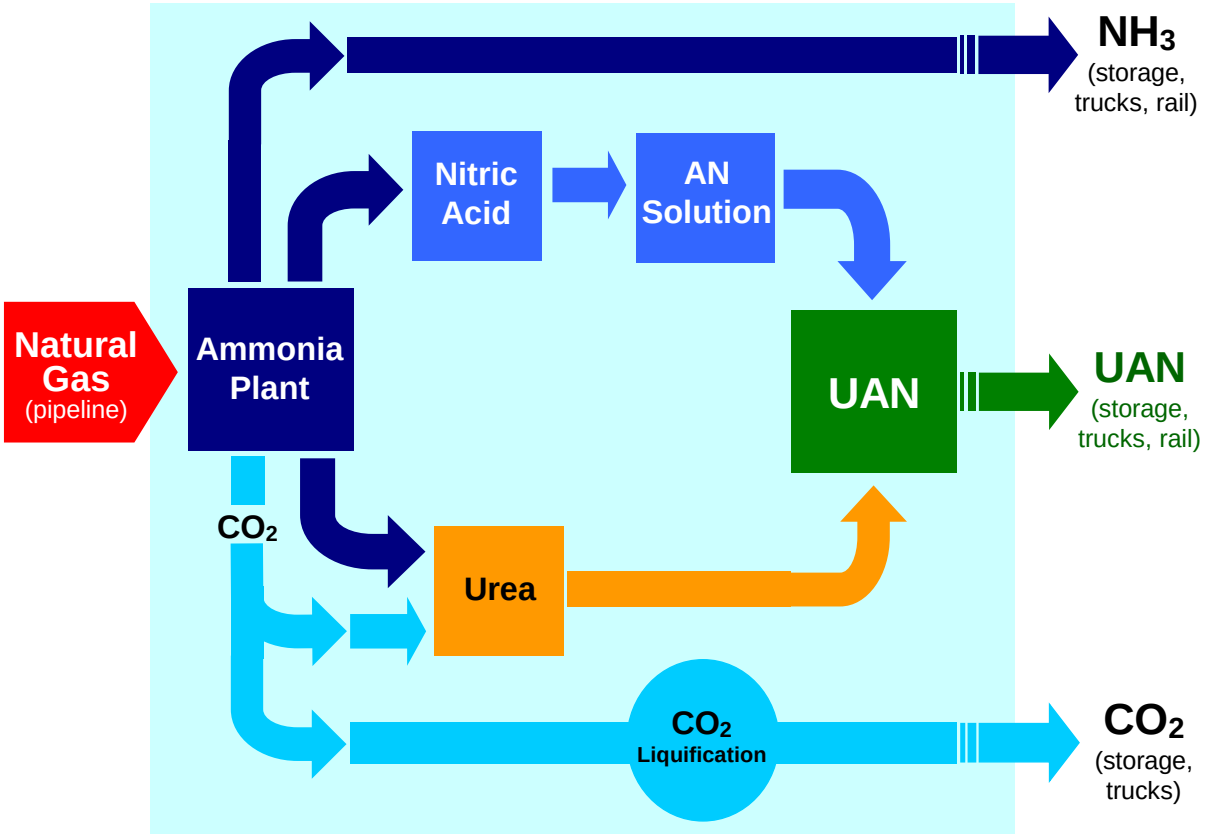
Pryor, OK	UAN	Koch	Southern Plains & Corn Belt
Cherokee, AL	UAN	Transammonia, The Andersons, CHS, Koch, et.al.	Eastern Corn Belt
El Dorado, AR	AN	Ag Centers - 20% Distributors & Dealers - 80%	Southern Plains, South Central, Midwest & West

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

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)

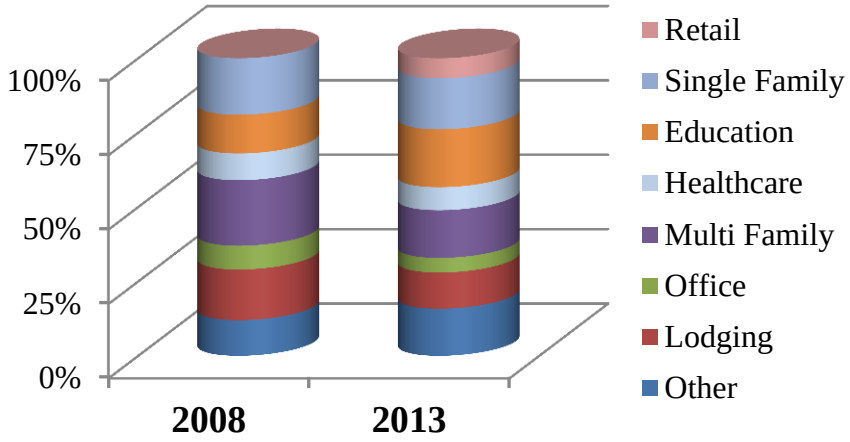


- Products are marketable at every intermediate and final stage of production.
- Pryor facility process flow is typical of plants with natural gas feedstock.
- Pryor and Cherokee use natural gas feedstock. El Dorado and Baytown use ammonia feedstock.

Climate Control Sales & Marketing Data

2013 Sales Mix Data

Diversified End Markets



Distribution Channels (as of Q2 2014)

Commercial:

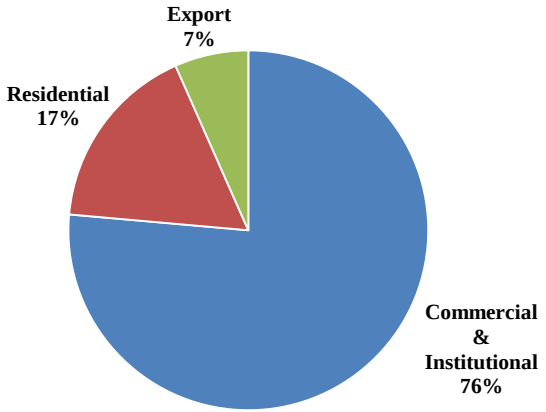
- 238 Commercial representative firms with 438 locations
- 2,200+ Sales Engineers

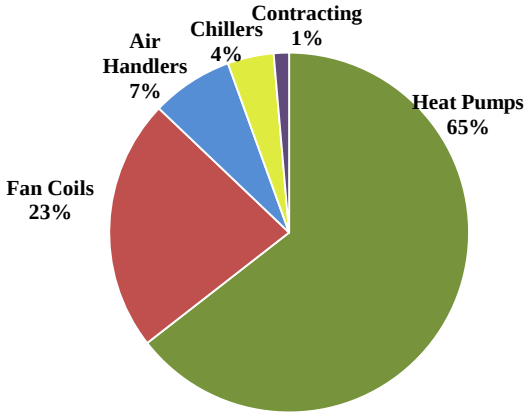
Residential (Geothermal):

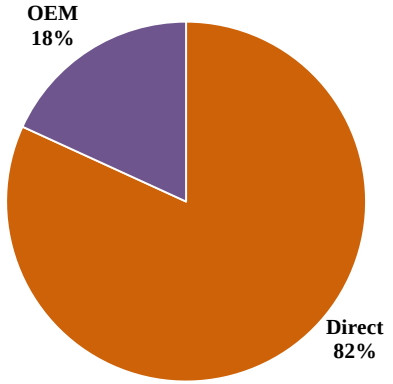
- 600 Residential distributor locations (approx.)
- 4,000 Residential contractor-dealers (approx.)

Plus: OEM distribution channels

Product & Market Sales Mix – Various Perspectives

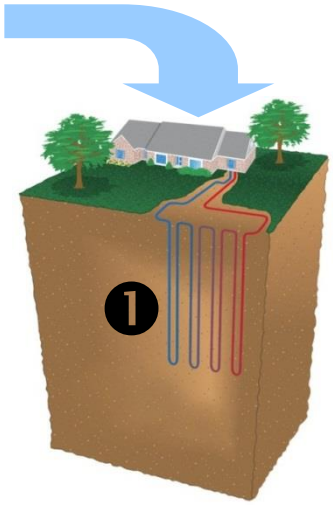






Focus on Geothermal Heat Pumps

How does a GHP system work?



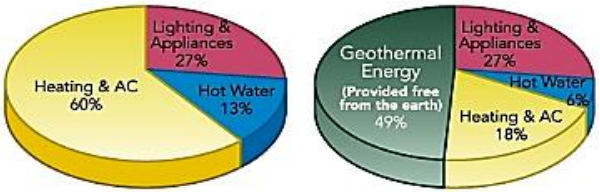
Typical Residential Geothermal System

- **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



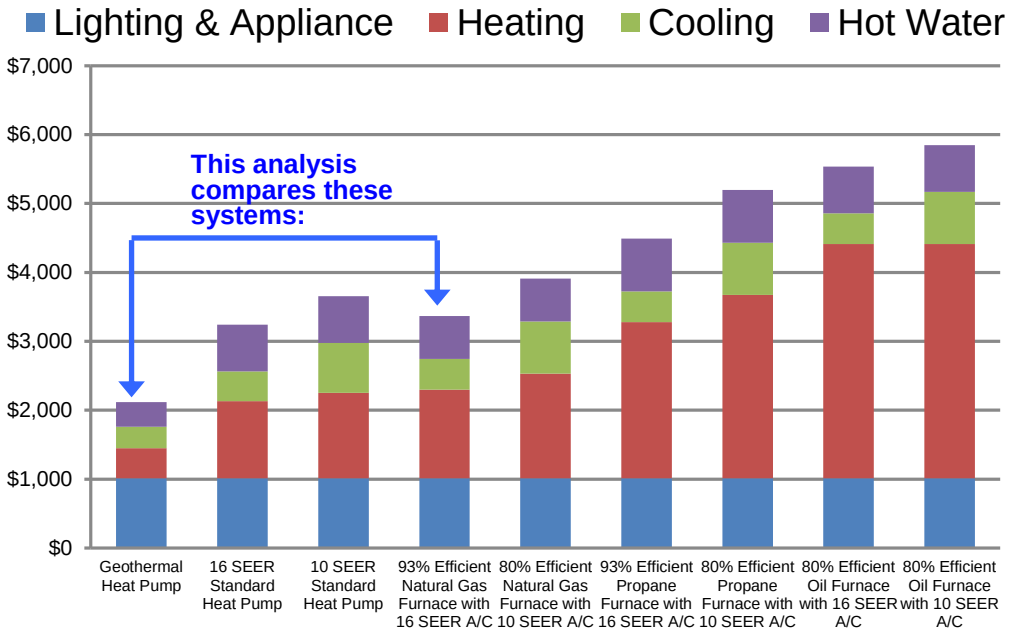
Conventional System **Geothermal System**

- **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**

Notes:

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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