



# LSB Industries, Inc.

NYSE: LXU

## Imperial Capital Global Opportunities Conference

September 18, 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, grain or corn demand or production, 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; 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; 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; Backlog should translate into improved second half 2014; 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’s for the periods ending March 31, 2014 and June 30, 2014. We undertake no duty to update the information contained in this investor presentation.

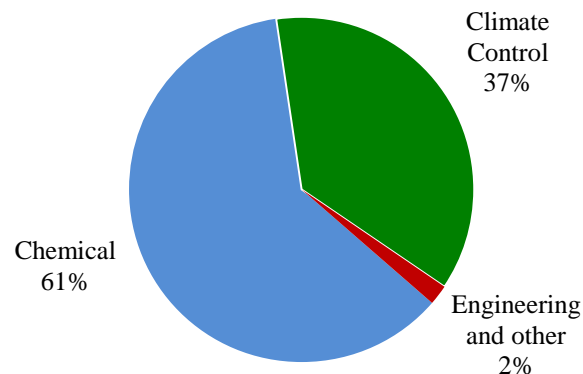
The term EBITDA, as used in this presentation, is net income plus interest expense, depreciation, amortization, income taxes, and certain non-cash charges, unless otherwise described. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to GAAP measurement. The reconciliation of GAAP and any EBITDA numbers discussed in this investor presentation are included on the Q2 2014 conference call presentation, which is posted on our website.

# Company Overview

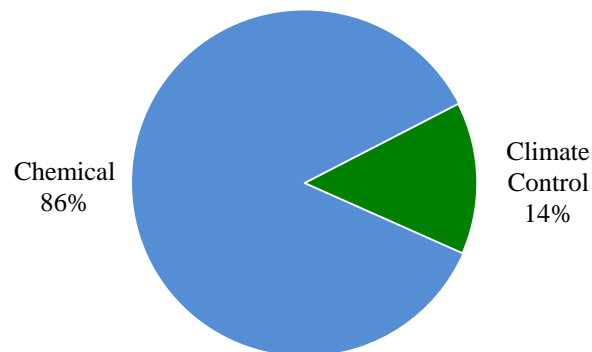
# Business Overview

- **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 6/30/14 Net Sales of \$706.6 million
  - LTM 6/30/14 Consolidated Adjusted EBITDA of \$174.9 million <sup>(1)</sup>

**Net Sales by Business Segment – LTM 6/30/14**



**EBITDA by Business Segment – LTM 6/30/14**



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 \$108.4 million

# LSB's Two Core Businesses

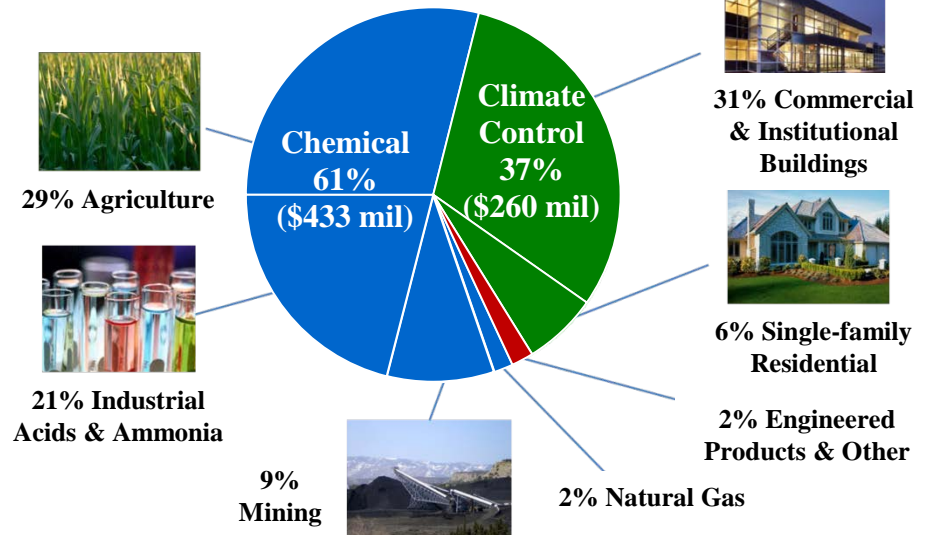
## Chemical

- 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

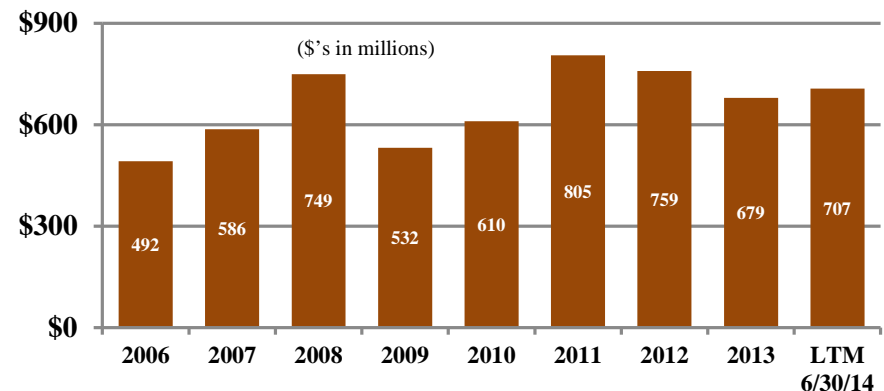
## Climate Control

- 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 6/30/14 Sales Mix



## Consolidated Sales History



# Business Segment Overview

# Chemical Markets and Products

Market	Products	Uses	Competitors
<b>Agro-Chemical</b> (48% of sales)	Urea Ammonium Nitrate Solutions (UAN)	Fertilizer for corn and other crops	CF Industries, PCS, Koch Industries, Rentec, Coffeerville 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
<b>Industrial Acids, Ammonia &amp; DEF</b> (34% 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 <sub>x</sub> emissions from diesel vehicles	Various
<b>Mining Products</b> (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 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 at historical levels leading to lower current and expected corn prices.

## Result:

- **High demand for grain expected in 2014 and 2015 despite low corn prices; approximately 90 million acres of corn expected to be planted in 2014/2015.**

## North America is Low Cost

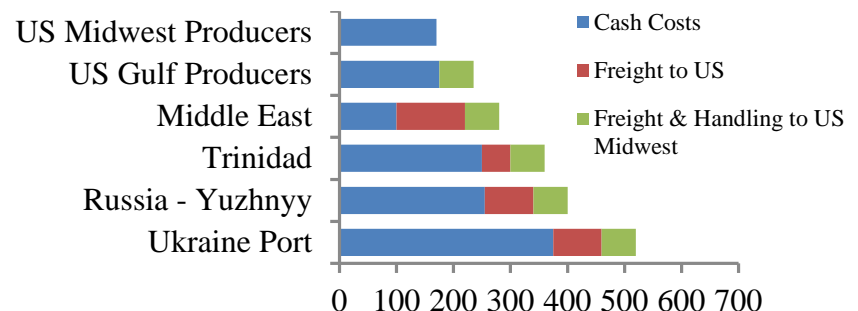
### Producer of Nitrogen Fertilizers

- 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.

## U.S. Midwest Delivered

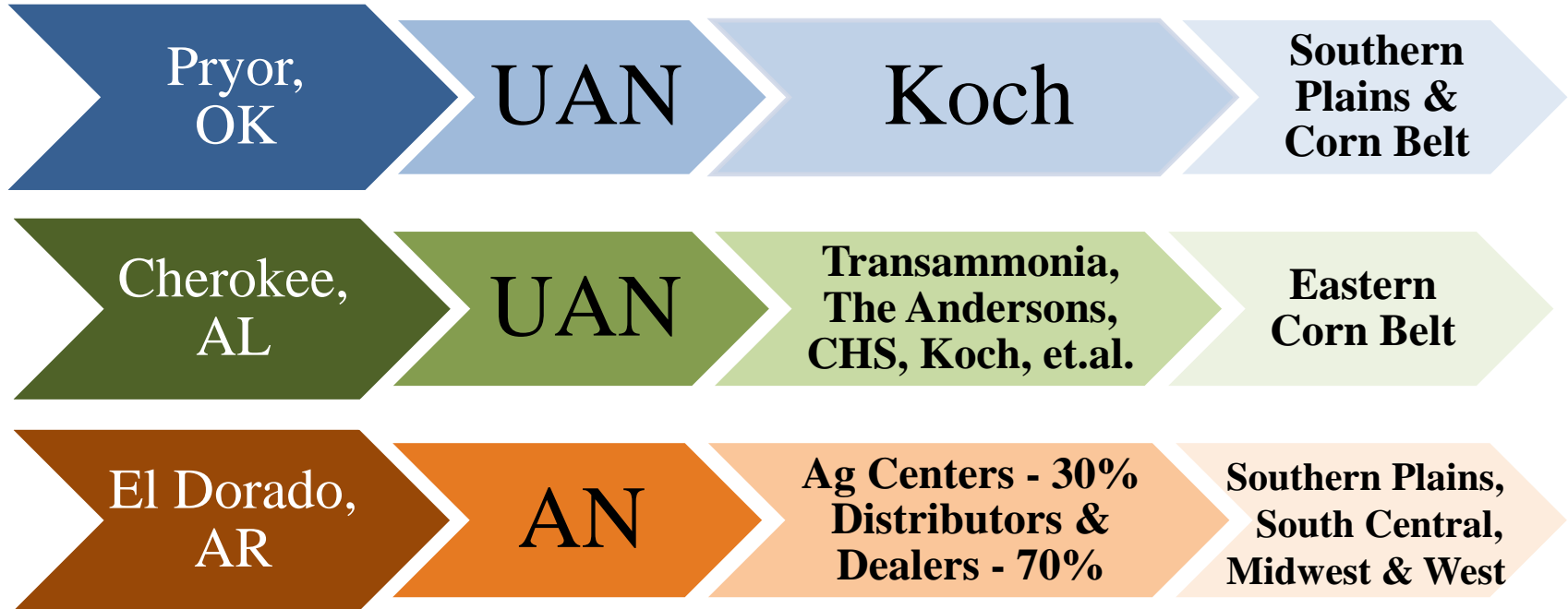
### Ammonia Cost Forecast (\$US/ton)

Source: Fertecon, Blue Johnson, PotashCorp (2013)





# LSB's Agricultural Distribution



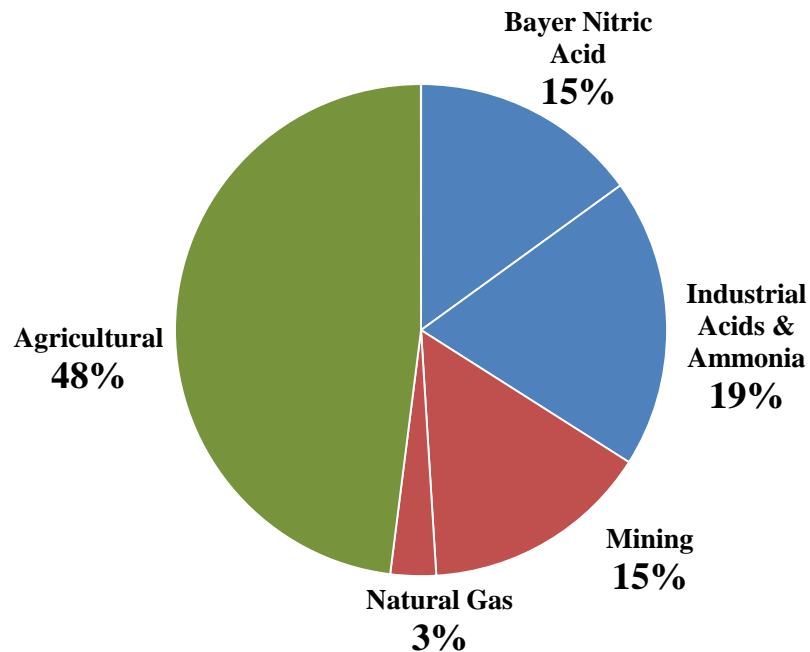
- Multiple distribution channels
- Diverse geographic coverage
- Longstanding customer relationships
- Direct rail linkage to corn belt



# Operational Dynamics

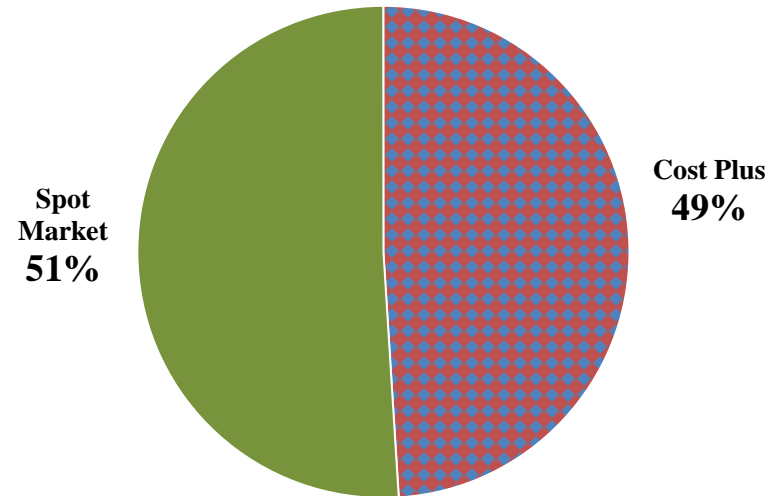
## Diversification Strategy with Product Balance Options

### 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 6/30/14 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
Plant Area (acres)		150	160	47	2
Site Area (acres)		1,400	1,300	104	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, barge	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	
Agricultural Products	UAN		215	300		515
	High Density AN <sup>(1)</sup>	110/300				110/300
	Ammonia	125	30	85		115/240
Industrial & Mining Products	Nitric Acid	45/60	30		410	485/500
	DEF		15			15
	Low Density AN <sup>(1)</sup>	220				220
	AN solutions	40	85			125

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

Note (1): 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

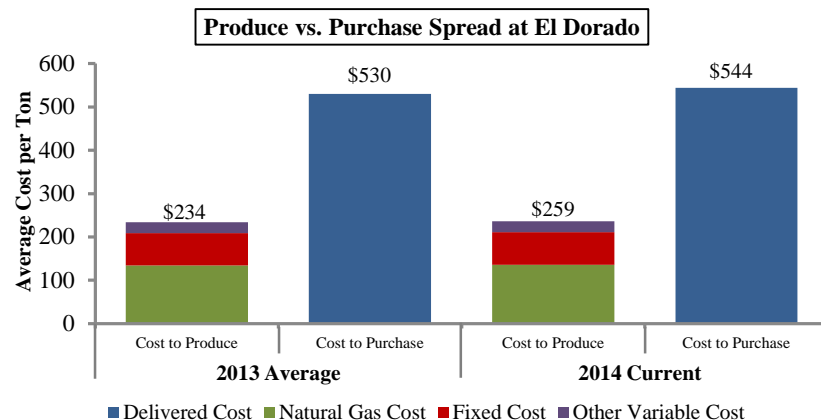
## El Dorado Ammonia Plant

- Cost of \$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



# Climate Control Market and Products

## Market

## Products

## Uses

**Geothermal & Water Source Heat Pumps**  
(66% of sales)

**Water Source Heat Pumps**  
**Geothermal Heat Pumps**

Heating and cooling for commercial/institutional as well as single family residential - new construction, renovation and replacements

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

**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**  
(11% of sales)

**Large Custom Air Handlers**

**Modular Chillers**

**Make-up Air Units**

Commercial, institutional and industrial

Commercial, institutional and industrial

Commercial, institutional and industrial

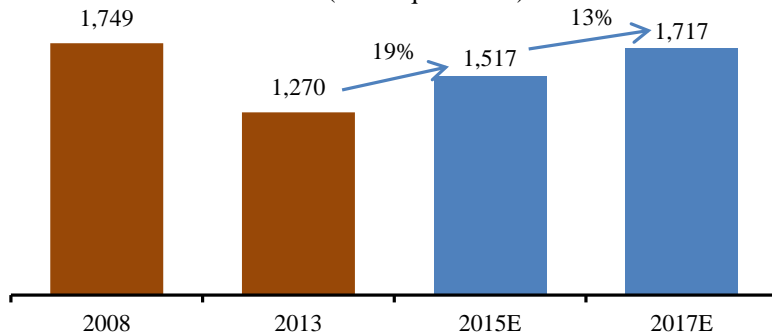


# Attractive Industry Fundamentals: Climate Control

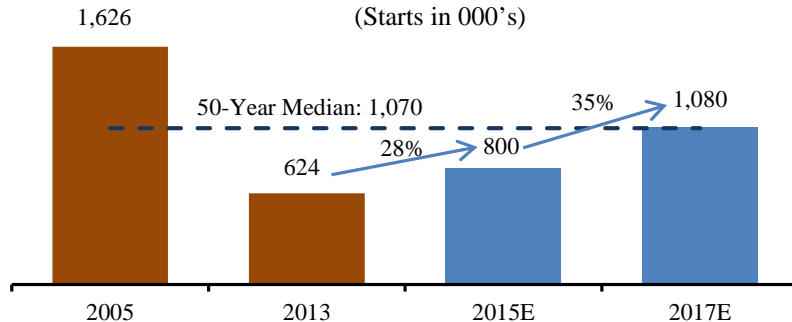
## Construction markets are poised for a recovery to pre-recession levels

- 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)

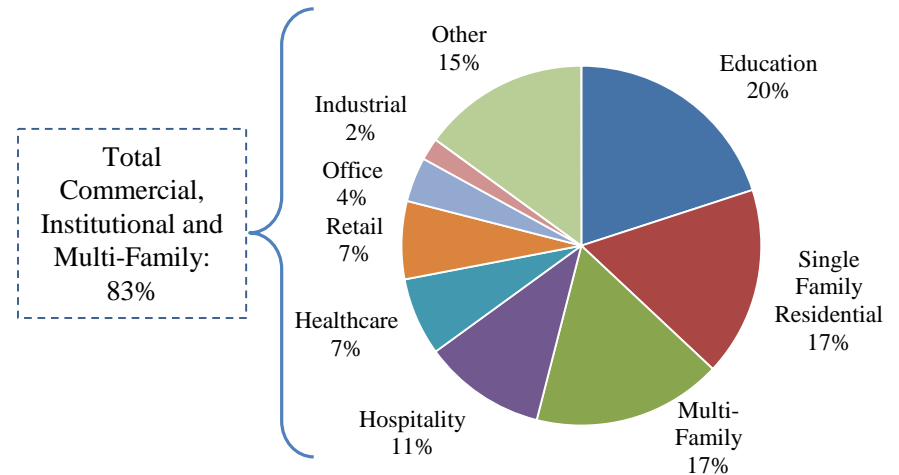


### Single Family Residential Construction (Starts in 000's)

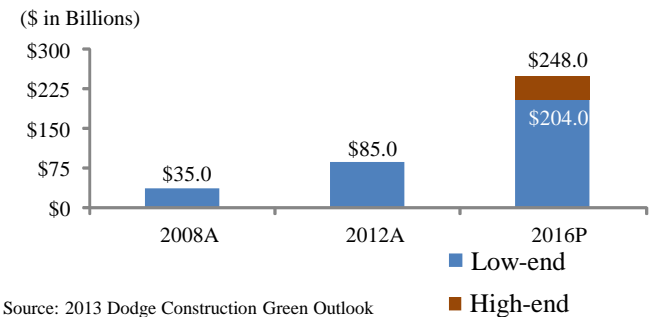


Sources: McGraw-Hill Construction Market Forecasting Service, Q3 2014; 50 Year Median – Census Bureau

## Climate Control LTM 6/30/14 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



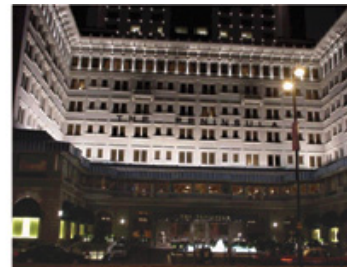
Atlantis, Bahamas



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

<i>\$ in millions except EPS</i>	Calendar Year Ended Dec. 31,				6 Mos. Ended Jun. 30,	
	2013	2012	2011	2010	2014	2013
Sales	\$679.3	\$759.0	\$805.3	\$609.9	\$380.2	\$352.9
Sales Growth	(11)%	(6)%	32%	15%	8%	(12)%
Operating Income/(Loss)	\$105.3	\$95.7	\$136.4	\$55.9	\$49.6	\$12.0
Net Income/(Loss)	\$55.0	\$58.6	\$83.8	\$29.6	\$22.8	\$7.4
Diluted Earnings/(Loss) per Share	\$2.33	\$2.49	\$3.58	\$1.32	\$0.96	\$0.31
EBITDA	\$132.9	\$117.3	\$155.7	\$74.3	\$67.3	\$25.4
EBITDA Margin	20%	15%	19%	12%	18%	7%

# Segment Summary Statement of Operations

## *Chemical Business*

<i>\$ in millions</i>	Calendar Year Ended Dec. 31,				6 Mos. Ended Jun. 30,	
	2013	2012	2011	2010	2014	2013
Sales	\$380.7	\$477.8	\$511.9	\$351.1	\$251.0	\$198.8
Gross Profit	46.2	97.7	130.7	49.3	57.7	14.5
Gross Profit %	12.1%	20.4%	25.5%	14.0%	23.0%	7.3%
Operating Income	87.8	82.1	116.5	31.9	52.4	2.6
Segment EBITDA	\$111.4	\$98.5	\$131.2	\$45.0	\$67.4	\$13.4

## *Climate Control Business*

<i>\$ in millions</i>	Calendar Year Ended Dec. 31,				6 Mos. Ended Jun. 30,	
	2013	2012	2011	2010	2014	2013
Sales	\$285.0	\$266.2	\$281.6	\$250.5	\$123.1	\$147.6
Gross Profit	92.9	81.0	88.2	86.4	37.8	47.4
Gross Profit %	32.6%	30.4%	31.3%	34.5%	30.7%	32.1%
Operating Income	30.4	25.8	32.8	35.3	8.9	15.8
Segment EBITDA	\$33.6	\$29.0	\$35.5	\$38.8	\$11.3	\$17.5

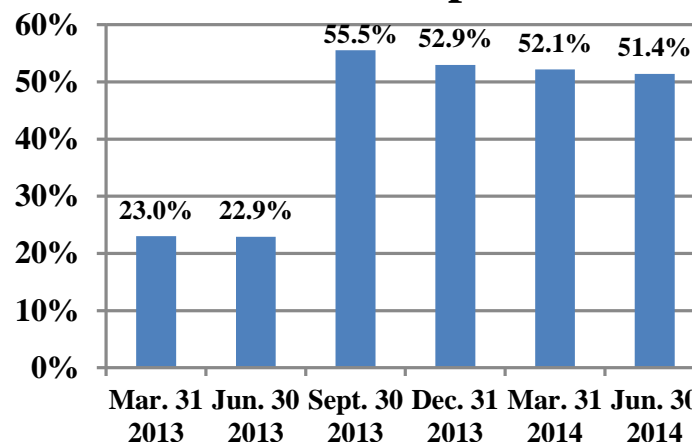
# Solid Financial Position

## Strong Balance Sheet

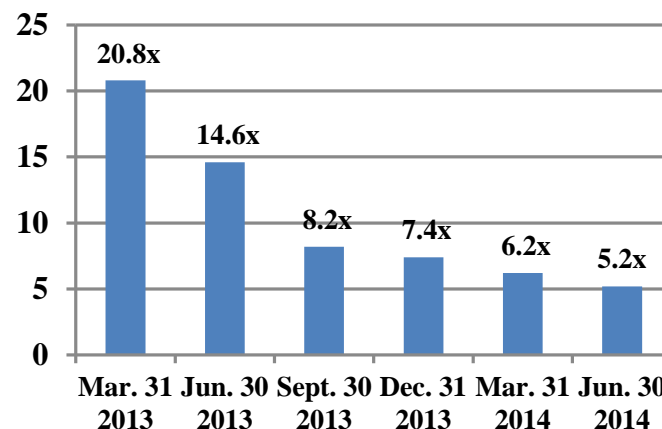
<i>\$ in millions</i>	June 30, 2014	December 31, 2013
Cash and Investments (including non-current)	\$389.1	\$434.7
Total Debt	\$460.3	\$463.0
Stockholders' Equity	\$435.6	\$411.7
Total Capitalization	\$895.9	\$874.7

Note: As of June 30, 2014, total debt consisted of \$425 million 7.75% Senior Secured Notes due in 2019; a \$26.2 million Secured Promissory Note due in February 2016 and \$9.1 million of equipment loans and capital leases. Our availability under the \$100 million working capital revolver loan was \$69.4 million at June 30, 2014.

### Debt to Capital



### EBITDA to Interest Coverage\*



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

# Planned Capital Spending (as of June 30, 2014 - \$ in millions)

## Total Projects

### 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
\$135 - \$170	\$139 - \$174	\$274 - \$344
3 - 5	11 - 15	14 - 20
7 - 10	5 - 6	12 - 16
20 - 30	27 - 35	47 - 65
10 - 15	15 - 20	25 - 35
<b>\$175 - \$230</b>	<b>\$197 - \$250</b>	<b>\$372 - \$480</b>
<b>5 - 6</b>	<b>5 - 10</b>	<b>10 - 16</b>
<b>5 - 10</b>	<b>5 - 9</b>	<b>10 - 19</b>
<b>\$185 - \$246</b>	<b>\$207 - \$269</b>	<b>\$392 - \$515</b>

## El Dorado Expansion Projects

Ammonia Plant  
 Nitric Acid Plant and Concentrator  
 Other Support Infrastructure

### Total El Dorado Projects

### Planned Capital Expenditures

Expenditures to Date	Remainder of 2014	2015	Project Total
\$74	\$70 - \$95	\$106 - \$131	\$250 - \$300
73	20 - 25	22 - 27	115 - 125
9	45 - 50	11 - 16	65 - 75
<b>\$156</b>	<b>\$135 - \$170</b>	<b>\$139 - \$174</b>	<b>\$430 - \$500</b>

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.

# 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 returned 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 is 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.
- Highest backlog since mid 2008 should translate into improved second half 2014 results vs first half 2014 results.

# 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	Three months ended 6-30		Six months ended 6-30		Trailing Twelve months ended 6-30	
	2014	2013	2014	2013	2014	2013
<b>Net income</b>	\$ 11.1	\$ 7.5	\$ 22.8	\$ 7.4	\$ 70.3	\$ 25.6
Plus:						
Interest expense	5.7	0.5	12.4	1.3	25.1	3.2
Depreciation and amortization	8.7	6.5	17.4	13.1	32.8	23.7
Provisions for income taxes	7.1	4.4	14.7	3.6	46.5	14.0
Loss from discontinued operations	-	-	-	-	0.2	0.1
<b>EBITDA per conference call</b>	<b>\$ 32.6</b>	<b>\$ 18.9</b>	<b>\$ 67.3</b>	<b>\$ 25.4</b>	<b>\$ 174.9</b>	<b>\$ 66.6</b>
<b>Climate Control Business</b>						
<b>Operating income</b>	\$ 4.6	\$ 9.5	\$ 8.9	\$ 15.8	\$ 23.5	\$ 28.5
Plus:						
Equity in earnings of affiliate	-	0.1	0.1	0.4	0.2	0.7
Depreciation and amortization	1.2	0.7	2.3	1.3	3.8	2.6
<b>EBITDA per conference call</b>	<b>\$ 5.8</b>	<b>\$ 10.3</b>	<b>\$ 11.3</b>	<b>\$ 17.5</b>	<b>\$ 27.5</b>	<b>\$ 31.8</b>
<b>Chemical Business</b>						
<b>Operating income</b>	\$ 23.6	\$ 6.4	\$ 52.4	\$ 2.6	\$ 137.6	\$ 25.2
Plus:						
Non-operating income	0.1	-	0.2	-	0.2	-
Depreciation and amortization	7.4	5.3	14.8	10.8	27.6	19.2
<b>EBITDA per conference call</b>	<b>\$ 31.1</b>	<b>\$ 11.7</b>	<b>\$ 67.4</b>	<b>\$ 13.4</b>	<b>\$ 165.4</b>	<b>\$ 44.4</b>

# Chemical Business Operating Metrics

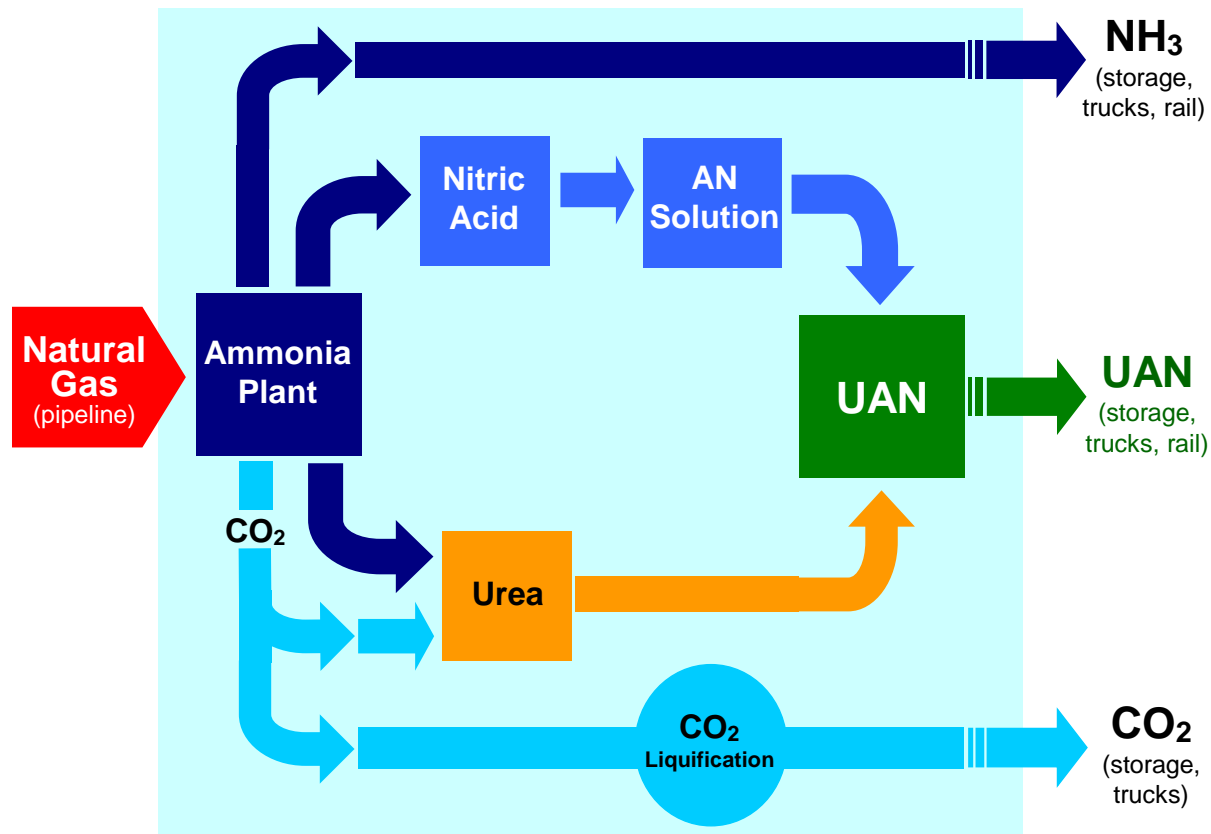
	<u>Six Months Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<b><u>Agricultural:</u></b>			
<b><u>Product (tons sold)</u></b>			
Urea ammonium nitrate (UAN)	186,204	96,102	94%
Ammonium nitrate (AN)	160,039	102,843	56%
Anhydrous ammonia	40,449	15,312	164%
Other	18,957	17,013	11%
	405,649	231,270	75%
<b><u>Average Selling Prices (price per ton)</u></b>			
UAN	\$265	\$308	(14%)
AN	\$328	\$385	(15%)
Anhydrous ammonia	\$450	\$593	(24%)
<b><u>Input Costs</u></b>			
Average purchased ammonia cost/ton	\$473	\$590	(20%)
Average natural gas cost/MMbtu*	\$5.03	\$4.11	22%
<b><u>Industrial:</u></b>			
<b><u>Product (tons sold)</u></b>			
Nitric acid	256,225	222,237	15%
AN and AN solution	90,823	68,515	33%

*\*Gross cost excluding any hedging activity*

# What Our Chemical Products Are Used For:

Agrochemical Products	Uses
<b>Urea Ammonium Nitrate Solutions (UAN) 28-32% N</b> Manufactured nitrogen content fertilizer	High nitrogen content fertilizer for corn and other crops with high nitrogen demand (wheat, milo, cotton)
<b>E2 Ammonium Nitrate Prill (solid) 34% N</b> High nitrogen content fertilizer	Nitrogen consuming crops, forage areas and citrus. The primary nitrogen component in NPK (nitrogen, phosphorus, potassium) fertilizer blends
<b>Fertilizer Blends</b> Custom blends with purchased phosphates, potassium, sulfur, micronutrients with produced ammonium nitrate	Special application for agri-business products to supply growers balanced fertility
<b>Anhydrous Ammonia 82% N</b> Gas injected application	High nitrogen content fertilizer with highest percentage use for corn.
Industrial Acids, Ammonia, DEF	Uses:
<b>Concentrated Nitric Acid</b> Aqueous solution up to 99% concentration	Production of specialty fibers, nitrocellulose, gaskets, crop chemicals, mining products, metal treatment, nitric acid commercial blends
<b>Nitric Acid Commercial Blends</b> Aqueous solution up to 89% concentration	Semi-conductor industry, manufacture of nylon and polyurethane intermediates, potassium nitrate compounds, ammonium nitrate production
<b>Anhydrous Ammonia</b> 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
<b>Mixed Acids</b> Blends of concentrated nitric acid and sulfuric acid/oleum	Diesel fuel additives, ordnance, herbicides and pharmaceutical grade nitroglycerine
<b>Sulfuric Acid</b> 98% and 93% concentrations, standard and low-iron grades	Pulp and paper manufacturing, alum, water treatment, metals processing, vanadium processing, other industrial uses
<b>DEF (diesel exhaust fluid)</b>	Exhaust stream additive to reduce NO <sub>x</sub> emissions from diesel vehicles
Industrial Mining Products	Uses:
<b>Ammonium Nitrate Solutions</b> 54% and 83% concentrations	Specialty emulsions for mining applications, other miscellaneous uses
<b>Low Density Ammonium Nitrate Prills (solids)</b> Solid pellets with good porosity and flowability	Surface mining, quarries, construction

# Typical Facility Process Flow (Pryor)

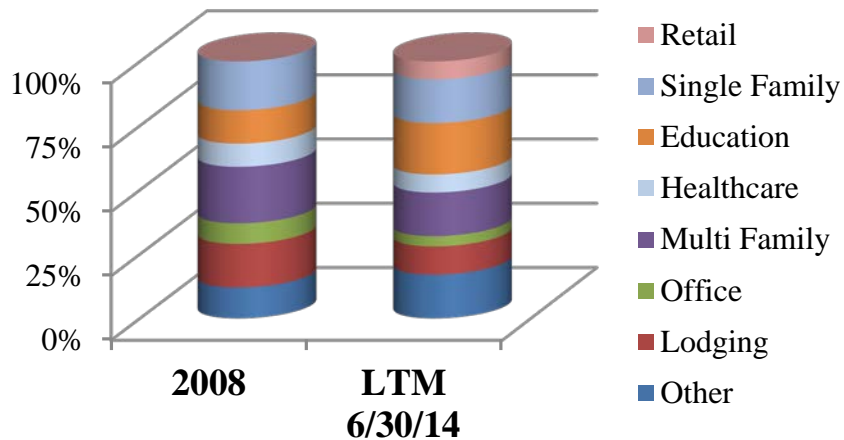


- Products are marketable at every intermediate and final stage of production.
- Pryor facility process flow is typical of plants with natural gas feedstock.
- Pryor and Cherokee use natural gas feedstock. El Dorado and Baytown use ammonia feedstock.

# Climate Control Sales & Marketing Data

June 30, 2014 LTM Sales Mix Data

## Diversified End Markets



## Distribution Channels (as of Q2 2014)

### Commercial:

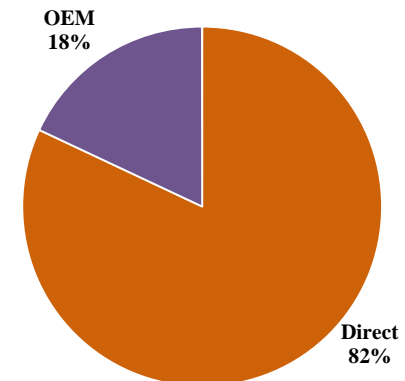
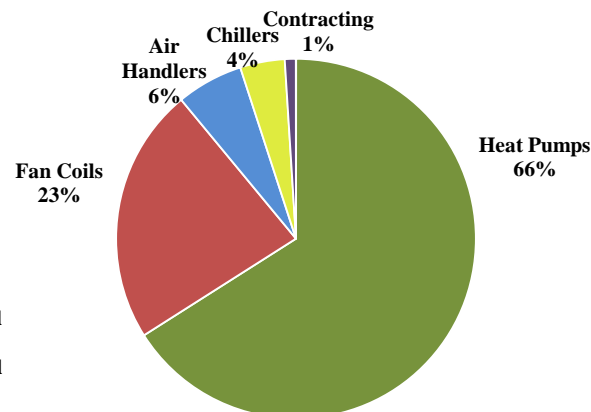
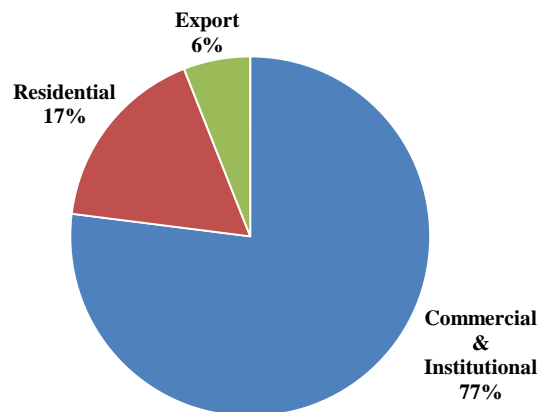
- 238 Commercial representative firms with 438 locations
- 2,200+ Sales Engineers

### Residential (Geothermal):

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

### Plus: OEM distribution channels

## Product & Market Sales Mix – Various Perspectives

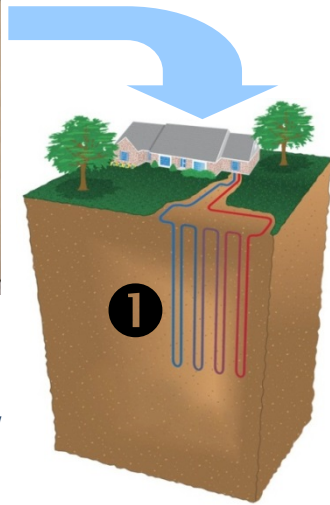


# Focus on Geothermal Heat Pumps

## How does a GHP system work?



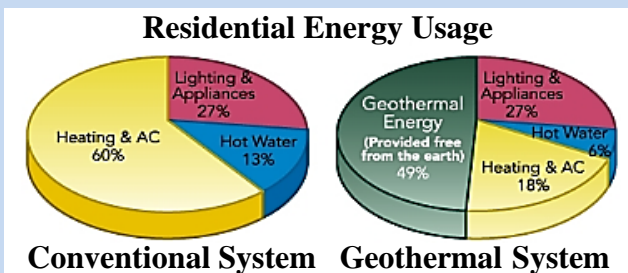
*Typical  
Residential  
Geothermal  
System*



- **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 **①** sealed in-ground heat exchanger (loop) filled with fluid and a **②** 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.



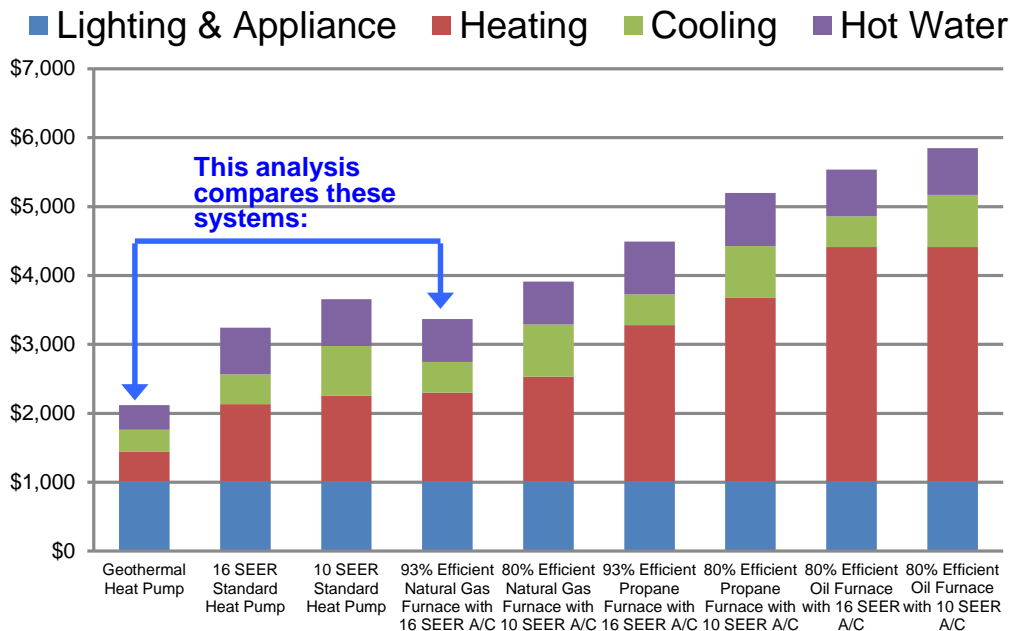
- **Fed Tax Credits** - 30% residential & 10% business + accelerated depreciation, + state/utility incentives
- **GHP's are an Alternative form of Renewable Energy**
- **Green Refrigerants** - non-ozone depleting
- **“Free” Domestic Hot Water**
- **Noise Free Operation** – no noisy condensing unit
- **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
<b>Annual Energy Savings</b>	<b>\$1,248</b>
<b>Payback in Years</b>	<b>3.8</b>

### Positive Cash Flow

Annual Energy Savings	\$1,248
Annual P&I on GHP Premium (6% int. – 10 yrs.)	(636)
<b>Annual Cash Savings</b>	<b>\$612</b>



Notes:

[illegible]

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.

**Investor Relations:****Company Contact:**

Mark Behrman  
Phone: 405-235-4546  
Email: mbehrman@lsbindustries.com

**The Equity Group, Inc.**

Fred Buonocore  
Phone: 212-836-9607  
Email: fbuonocore@equityny.com

Linda Latman

Phone: 212-836-9609  
Email: llatman@equityny.com  
Fax: 212-421-1278

**Corporate Offices:**

16 South Pennsylvania Avenue  
Oklahoma City, Oklahoma USA  
Phone: 405-235-4546  
Fax: 405-235-5067  
Email: info@lsbindustries.com

**Common Stock:**

NYSE ticker symbol LXU

**Auditor:**

Ernst & Young LLP

**Website: [www.lsbindustries.com](http://www.lsbindustries.com)**