

# LSB Industries, Inc.

NYSE: LXU

2014 Third Quarter Results

November 7, 2014

Jack E. Golsen, Board Chairman and CEO

Barry H. Golsen, President and COO

Tony M. Shelby, Executive Vice President and CFO

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# Safe Harbor Statement

Information reported on this call speaks only as of today, November 7, 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 “expects”, “intends”, “plans”, “believes”, “projects”, “anticipates”, “estimates” or similar expressions or statements of the future of forward-looking statement 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 future natural gas costs and ammonia costs, and the outlook for the chemical or climate control business.

The forward-looking statements include but are not limited to the following statements: higher overall on-stream production rates and profitability in the future; improvement in the business; commercial and institutional construction improving. The fourth quarter of 2014 to be much improved; all of our plants will be producing; build momentum as the trends for this business continue to improve; the ammonia production at our Pryor facility for the full year of 2014 will be double over 2013 and, we expect production to increase again in 2015; improving results in the fourth quarter of 2014 and for 2015. Planned maintenance will result in significant improvement in on stream production in the fourth quarter 2014 and in 2015; expect to de-lever once the expansion projects are complete; the coverage ratio will remain low until after the expansion projects come on line. Total cash and investments will continue to decline during 2014 and 2015; total planned capital expenditures for this period; total estimated expansion project; capital spending will be funded by our cash and investments both current and noncurrent. Industry expectations are that approximately 86-88 million acres of corn will be planted in the upcoming season. Less demand for nitrogen fertilizer weather conditions are favorable for the next planting season; China urea imports to North America; commence selling industrial grade AN directly to the explosives market; impact of scheduled turnarounds and maintenance for the various chemical plants; continue to take proactive steps to achieve enhanced operations from all of our facilities. El Dorado ammonia plant expansion project will significantly reduce El Dorado cost of ammonia; will also produce additional ammonia that will be available for sale or can be upgraded into other products for sale. El Dorado expansion projects to be completed on time and on budget. Expect the acid plant and concentrator to be complete and ready for start-up in mid-2015 and the ammonia plant construction to be complete by the end of 2015, with ammonia production ramp up during the first quarter of 2016. Indicators related to commercial and institutional construction; trend for increasing demand in the commercial and institutional sectors; housing starts will grow; increase in green construction should positively impact sales of many of our highly efficient energy products. improved profitability at El Dorado; growth of our Climate Control business; reduce operating costs in Climate Control business; shareholder value creation; operation of the Cherokee and Pryor facilities during the fourth quarter of 2014 and 2015, improved results in the fourth quarter 2014 and for 2015. Benefits of new ammonia production plant; sales of industrial grade AN to the commercial explosives market with deliveries beginning upon the expiration of the Orica agreement after April 9, 2015. Anticipated chemical product volumes for the fourth quarter of 2014; climate control business sales in the fourth quarter of 2014 and 2015.

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 being discussed under the headings “Risk Factors” and “A Special Note Regarding Forward-looking Statements” in our Form 10-K for the fiscal year ended December 31, 2013 and Form 10Q’s for the periods ending March 31, 2014, June 30, 2014 and September 30, 2014, which contain a discussion of a variety of factors which could cause the future outcome to differ materially from the forward-looking statements discussed in this conference call. 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 Q3 2014 conference call presentation, which is posted on our website.

# Third Quarter 2014 Highlights

- Quarterly sales of \$171 million for Q3 2014 versus \$177.4 million for Q3 2013.
  - Extended planned turnaround at the Cherokee Facility during the quarter moving the facility to a two year turnaround schedule (no turnaround Q3 2013)
- Q3 2014 increase in Climate Control sales of \$3.6 million reflecting improved order levels.
  - Orders of \$74 million for Q3 2014 vs. \$65 million in Q3 2013
  - Highest backlog since November 2008; \$74 million at the end of Q3 2014
  - Trends in commercial and institutional construction improving
- Continued progress on the El Dorado expansion projects where we remain on-time and on-budget.
  - Approximately 76% of the total expansion project costs are committed
- Continued focus on major expansion projects at El Dorado, investing in chemical plant reliability enhancements and implementing operational excellence initiatives in all of our Climate Control facilities.

# LSB Consolidated Financial Highlights

## Third Quarter & YTD 2014

| <i>\$ in millions except per share<br/>amounts</i> | Three Months Ended Sept. 30, |         |          | Nine Months Ended Sept. 30, |         |        |
|--|------------------------------|---------|----------|-----------------------------|---------|--------|
|  | 2014                         | 2013    | Change   | 2014                        | 2013    | Change |
| Net Sales  | \$171.0                      | \$177.4 | (\$6.4)  | \$551.2                     | \$530.3 | \$20.9 |
| Gross Profit                                       | \$24.4                       | \$48.9  | (\$24.5) | \$122.0                     | \$113.0 | \$9.0  |
| <i>% of net sales</i>                              | 14.3%                        | 27.6%   | (13.3%)  | 22.1%                       | 21.3%   | 0.8%   |
| Selling, General and Administrative                | \$25.2                       | \$25.1  | \$0.1    | \$77.4                      | \$74.7  | \$2.7  |
| <i>% of net sales</i>                              | 14.7%                        | 14.1%   | 0.6%     | 14.0%                       | 14.1%   | (0.1%) |
| Operating Income (Loss)                            | (\$1.2)                      | \$23.1  | (\$24.3) | \$48.4                      | \$35.1  | \$13.3 |
| <i>% of net sales</i>                              | (0.7%)                       | 13.0%   | (13.7%)  | 8.8%                        | 6.6%    | 2.2%   |
| Net Income (Loss)                                  | (\$3.8)                      | \$10.3  | (\$14.1) | \$19.0                      | \$17.6  | \$1.4  |
| <i>% of net sales</i>                              | (2.2%)                       | 5.8%    | (8.0%)   | 3.4%                        | 3.3%    | 0.1%   |
| EBITDA   | \$8.1                        | \$29.0  | (\$20.9) | \$75.4                      | \$54.4  | \$21.0 |
| Diluted EPS  | (\$0.17)                     | \$0.43  | (\$0.60) | \$0.80                      | \$0.75  | \$0.05 |

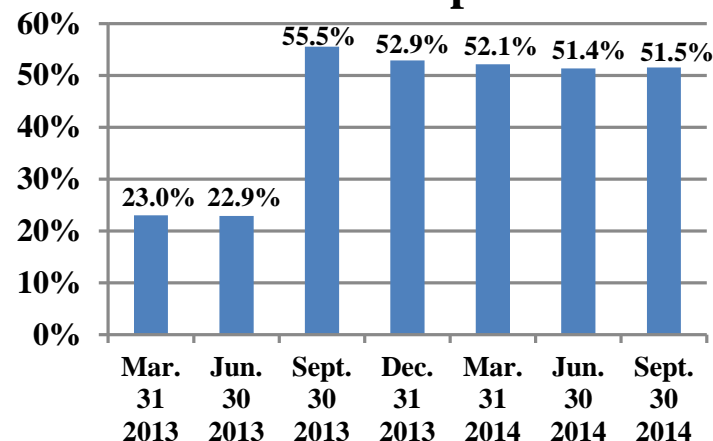
# Solid Financial Position

## Strong Balance Sheet

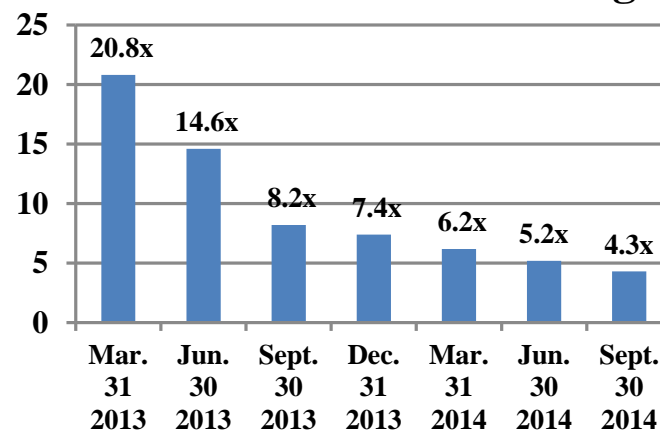
| <i>\$ in millions</i>                           | Sept. 30,<br>2014 | Dec. 31,<br>2013 |
|---|-------------------|------------------|
| Cash and Investments<br>(including non-current) | \$311.1           | \$434.7          |
| Total Debt                                      | \$459.4           | \$463.0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

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

### Debt to Capital



### EBITDA to Interest Coverage\*



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

# Free Cash Flow

| <i>\$ in millions</i>  | Nine Months Ended Sept. 30, |                |                  |
|--|-----------------------------|----------------|------------------|
|  | 2014                        | 2013           | Change           |
| <b>Net Income</b>  | <b>\$19.0</b>               | <b>\$17.6</b>  | <b>\$1.4</b>     |
| Depreciation, Depletion and Amortization                       | 26.4                        | 20.1           | 6.3              |
| Change in Working Capital and Other                            | 11.5                        | 7.6            | 3.9              |
| <b>Net Cash Provided by Continuing Operating Activities</b>    | <b>56.9</b>                 | <b>45.3</b>    | <b>11.6</b>      |
| Capital Expenditures   | (164.2)                     | (113.7)        | (50.5)           |
| Other  | 3.8                         | 15.8           | (12.0)           |
| <b>Free Cash Flow from Operations</b>                          | <b>(103.5)</b>              | <b>(52.6)</b>  | <b>(50.9)</b>    |
| Debt and Financing, Proceeds (Payments)                        | (20.1)                      | 374.2          | (394.3)          |
| <b>Change in Cash and Investments (Current and Noncurrent)</b> | <b>(\$123.6)</b>            | <b>\$321.6</b> | <b>(\$445.2)</b> |

Notes:

- Working capital and other includes changes in accounts receivable, inventory, accounts payable, accrued liabilities, insurance recoveries, and deferred taxes.
- Debt and Financing in 2013 primarily relates to proceeds from the Senior Secured Notes offering.
- Free Cash Flow is a non-GAAP measure. The reconciliation above reconciles free cash flow with cash provided by operating activities, the most directly comparable GAAP financial measure.

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

## El Dorado Expansion Projects

Ammonia Plant  
 Nitric Acid Plant and Concentrator  
 Other Support Infrastructure

#### Total El Dorado Projects

### Planned Capital Expenditures

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

# Chemical Business

## Third Quarter Highlights

| <i>\$ in millions</i>   | Three Months Ended Sept. 30, |              |                | Nine Months Ended Sept. 30, |              |             |
|-------------------------|------------------------------|--------------|----------------|-----------------------------|--------------|-------------|
|                         | 2014                         | 2013         | Change         | 2014                        | 2013         | Change      |
| Net Sales               | \$94.8                       | \$104.2      | (\$9.4)        | \$345.7                     | \$303.0      | \$42.7      |
| Gross Profit (Loss)     | (\$0.5)                      | \$24.6       | (\$25.1)       | \$57.2                      | \$39.1       | \$18.1      |
| <i>% of net sales</i>   | <i>(0.5%)</i>                | <i>23.6%</i> | <i>(24.1%)</i> | <i>16.5%</i>                | <i>12.9%</i> | <i>3.6%</i> |
| Operating Income (Loss) | (\$5.6)                      | \$17.7       | (\$23.3)       | \$46.8                      | \$20.3       | \$26.5      |
| <i>% of net sales</i>   | <i>(5.9%)</i>                | <i>17.0%</i> | <i>(22.9%)</i> | <i>13.5%</i>                | <i>6.7%</i>  | <i>6.8%</i> |
| Segment EBITDA          | \$2.2                        | \$23.5       | (\$21.3)       | \$69.6                      | \$36.9       | \$32.7      |
| Capital Expenditures    | \$68.0                       | \$41.7       | \$26.3         | \$170.0                     | \$117.4      | \$52.6      |

- Net Sales decreased due to lower agricultural product volumes as a result of performing a planned turnaround at the Cherokee Facility and maintenance activities at the Pryor and El Dorado Facilities partially offset by increased selling prices of industrial acids as a result of higher ammonia prices passed through to customers pursuant to contractual agreements.
- Operating income and EBITDA decreased as a result of the decrease in net sales discussed above, lost absorption from the turnaround at the Cherokee Facility and turnaround and maintenance expenses incurred.
- Q3 2013 operating income included precious metals and insurance recoveries of \$4.5 million and \$4.2 million respectively.



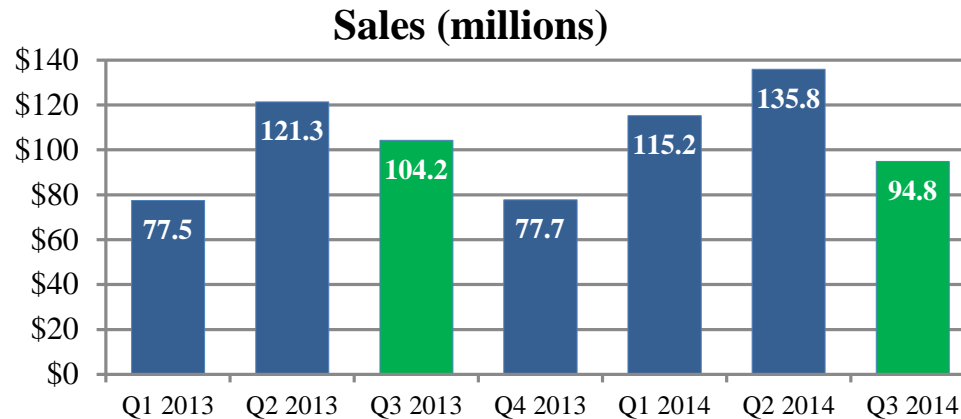
# Chemical Business – Operating Income

(\$ in millions)

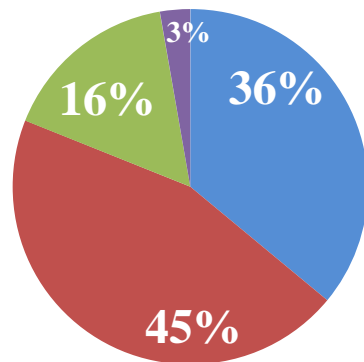
|  |                       |
|--|-----------------------|
| <b>Q3 2013 Operating Income</b>          | <b>\$17.7</b>         |
| Catalyst Recovery                        | (\$4.5)               |
| Insurance Recovery                       | <u>(\$4.2)</u>        |
| <b>Q3 2013 Adjusted Operating Income</b> | <b>\$9.0</b>          |
| Cherokee Facility Turnaround:            |                       |
| Lost Margin / Absorption                 | (\$6.9)               |
| Expenses incurred for turnaround         | (\$5.0)               |
| Pryor Facility                           | (\$1.2)               |
| El Dorado Facility and other             | <u>(\$1.5)</u>        |
| <b>Q3 2014 Operating Loss</b>            | <b><u>(\$5.6)</u></b> |

# Chemical Business

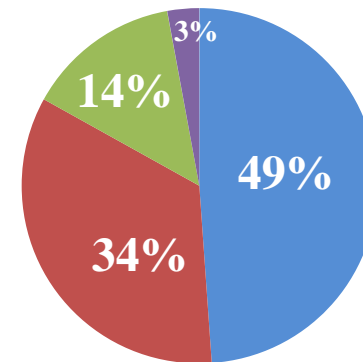
## Third Quarter Highlights



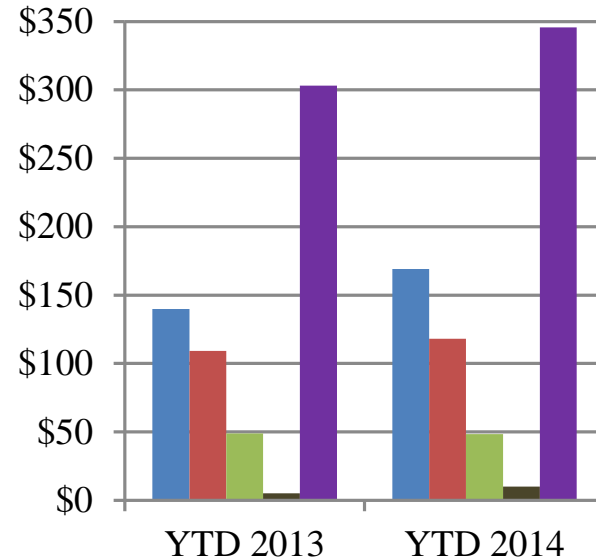
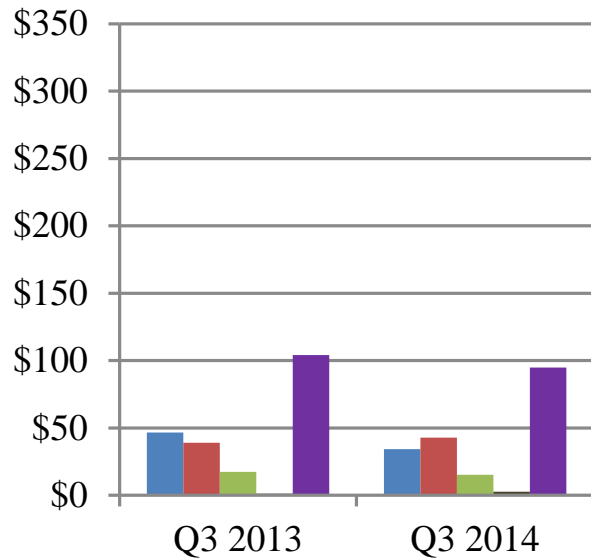
**2014 Q3 Sales Mix**



**2014 YTD Sales Mix**



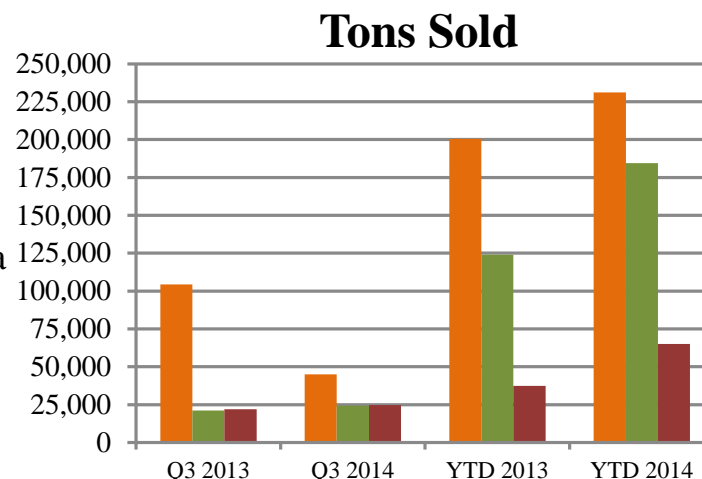
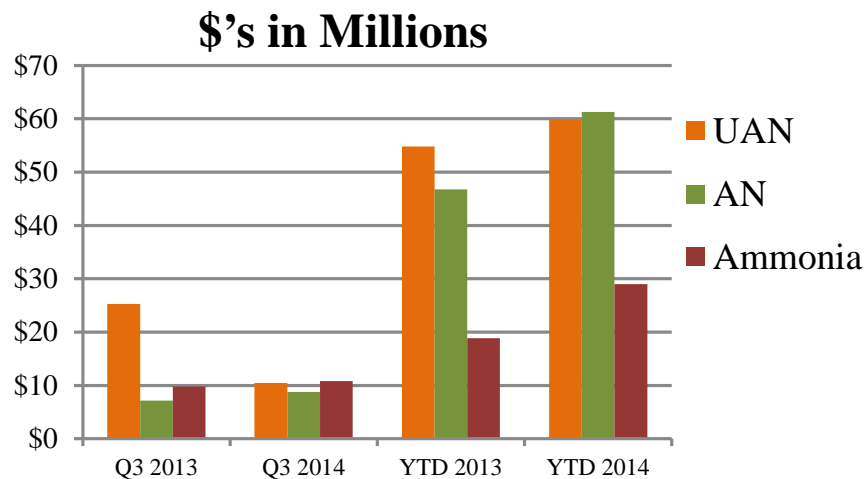
# Overall Chemical Sales (\$'s in millions)



| Changes from 2013 to 2014 | Agricultural Products | Industrial Acids | Mining Products | Natural Gas | Total |
|---------------------------|-----------------------|------------------|-----------------|-------------|-------|
| Q3                        | (27%)                 | 10%              | (12%)           | 102%        | (9%)  |
| YTD                       | 21%                   | 8%               | (1%)            | 99%         | 14%   |

- Q3 2014 Agricultural product sales decreased due to the turnaround at Cherokee and maintenance performed at Pryor.
- Q3 2014 Industrial acids sales increased due to an increase in ammonia costs which are passed through to customers on contractual sales agreements.

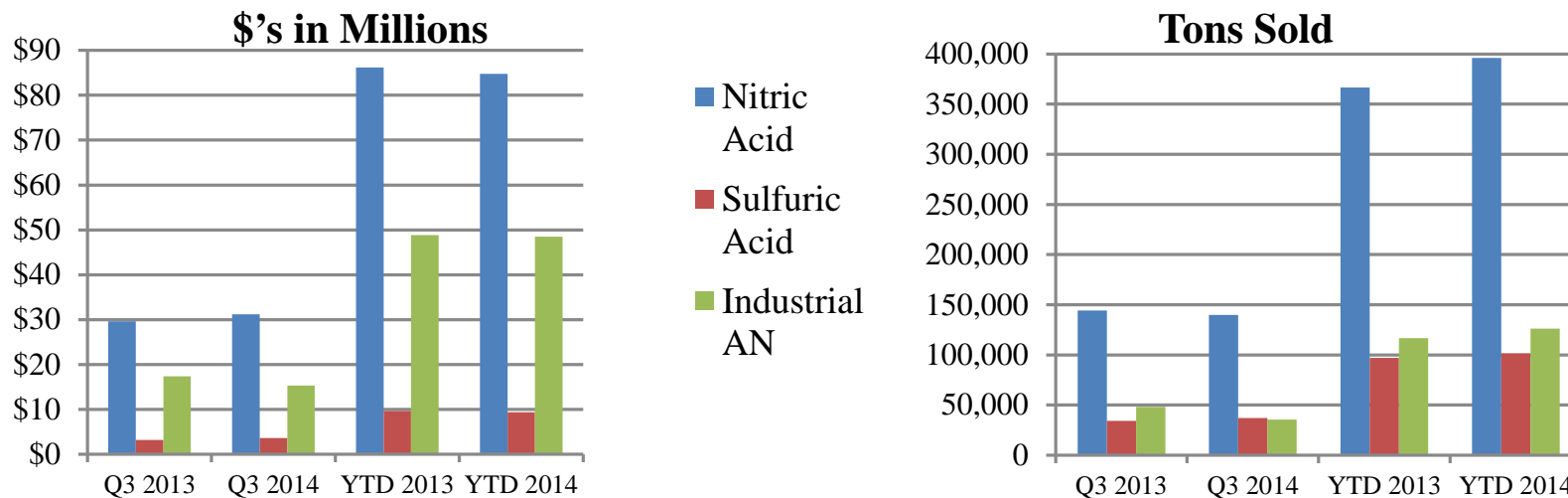
# Agricultural Chemical Sales



| Changes from<br>2013 to 2014 | UAN   |       | AN   |      | Ammonia |      |
|------------------------------|-------|-------|------|------|---------|------|
|                              | \$'s  | Tons  | \$'s | Tons | \$'s    | Tons |
| Q3                           | (59%) | (57%) | 22%  | 15%  | 10%     | 12%  |
| YTD                          | 9%    | 15%   | 31%  | 49%  | 54%     | 75%  |

- Q3 2014 UAN sales decreased due to the lost production at Cherokee and Pryor.
- Q3 2014 AN sales and margins increased due to improved agricultural market conditions.

# Industrial Acids & Mining Sales



| Changes from<br>2013 to 2014 | Nitric Acid |      | Sulfuric Acid |      | Industrial AN |       |
|------------------------------|-------------|------|---------------|------|---------------|-------|
|                              | \$'s        | Tons | \$'s          | Tons | \$'s          | Tons  |
| Q3                           | 5%          | (3%) | 13%           | 9%   | (12%)         | (27%) |
| YTD                          | (2%)        | 8%   | (3%)          | 4%   | (1%)          | 8%    |

- Q3 2014 nitric acid volume decreased due to lower demand at Baytown offset by increased ammonia costs which are passed through via pricing to customers on contractual sales agreements.
- Industrial grade AN volumes and sales decreased as a result of the turnaround at Cherokee and less overall demand for coal as utilities continue a switch to lower cost natural gas from coal.

# Climate Control Business

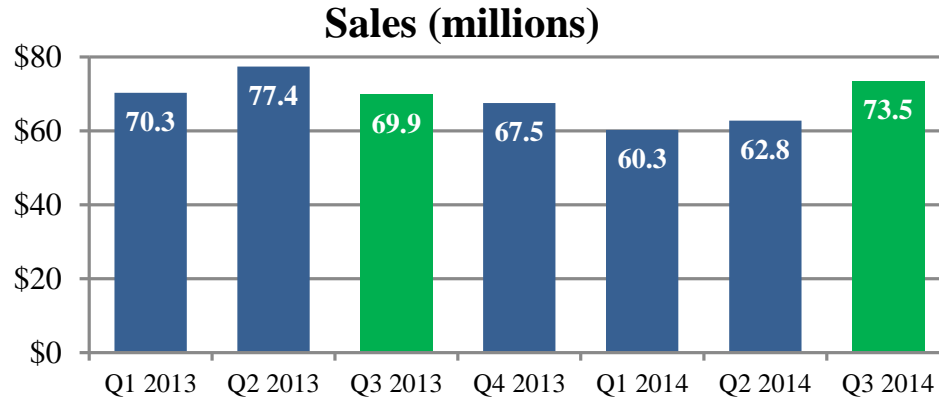
## Third Quarter Highlights

| <i>\$ in millions</i> | Three Months Ended Sept. 30, |        |         | Nine Months Ended Sept. 30, |         |          |
|-----------------------|------------------------------|--------|---------|-----------------------------|---------|----------|
|                       | 2014                         | 2013   | Change  | 2014                        | 2013    | Change   |
| Net Sales             | \$73.5                       | \$69.9 | \$3.6   | \$196.6                     | \$217.5 | (\$20.9) |
| Gross Profit          | \$23.9                       | \$23.2 | \$0.7   | \$61.6                      | \$70.6  | (\$9.0)  |
| <i>% of net sales</i> | 32.5%                        | 33.2%  | (0.7%)  | 31.3%                       | 32.4%   | (1.1%)   |
| Operating Income      | \$8.4                        | \$8.5  | (\$0.1) | \$17.4                      | \$24.4  | (\$7.0)  |
| <i>% of net sales</i> | 11.4%                        | 12.2%  | (0.8%)  | 8.9%                        | 11.2%   | (2.3%)   |
| Segment EBITDA        | \$9.7                        | \$9.3  | \$0.4   | \$21.0                      | \$26.9  | (\$5.9)  |
| Capital Expenditures  | \$0.6                        | \$1.1  | (\$0.5) | \$1.8                       | \$4.4   | (\$2.6)  |

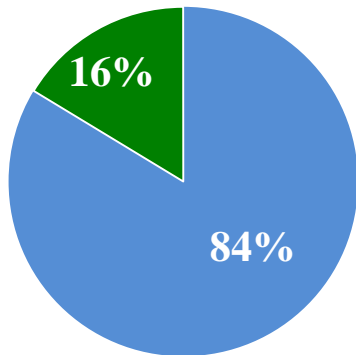
- Q3 2014 sales increased due to improved order bookings in most product lines during Q2 and Q3 of 2014.
- Gross profit as a percentage of sales declined slightly in Q3 2014 primarily due to product mix.
- Operating income in Q3 2014 was flat primarily due to rise in variable selling expenses related to the increase in sales volume and product mix.

# Climate Control Business

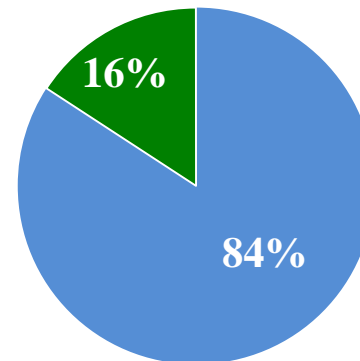
## Third Quarter Highlights



**2014 Q3 Sales Mix**

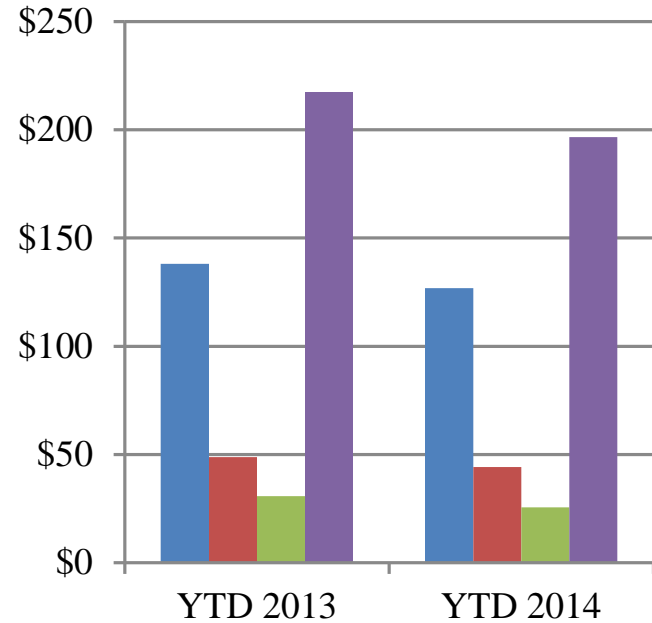
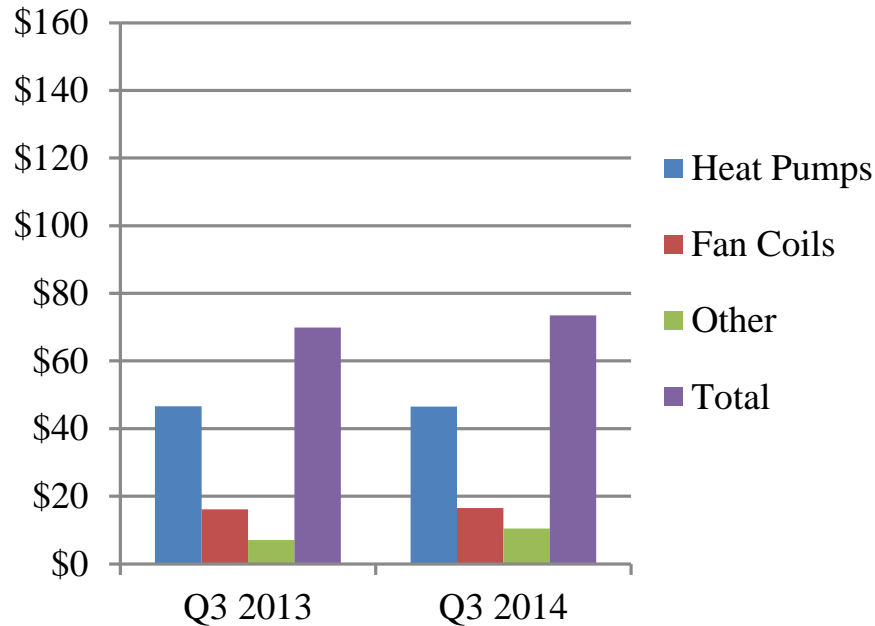


**2014 YTD Sales Mix**



- Commercial & Institutional
- Single-family Residential

# Climate Control Sales (\$'s in millions)

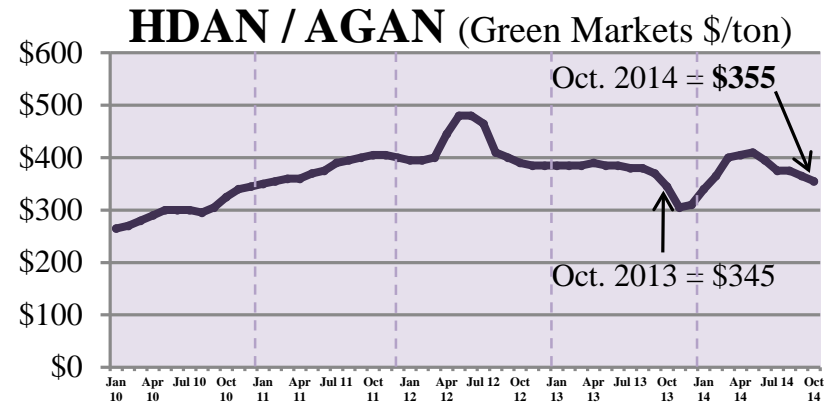
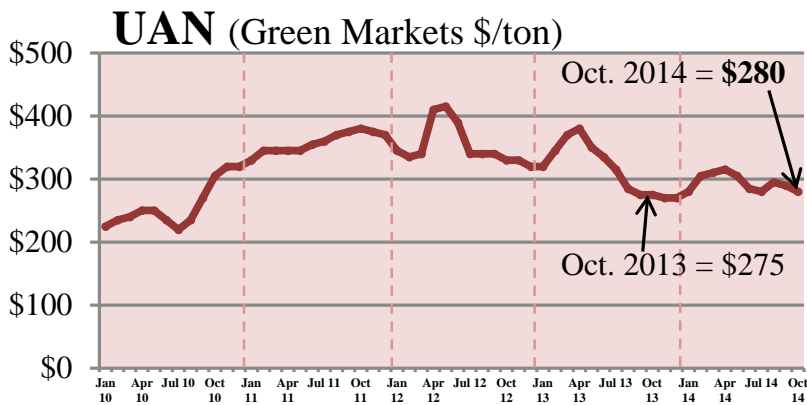
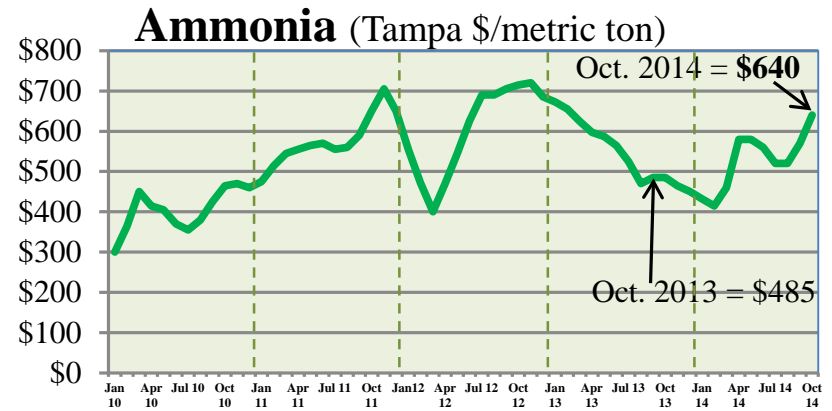
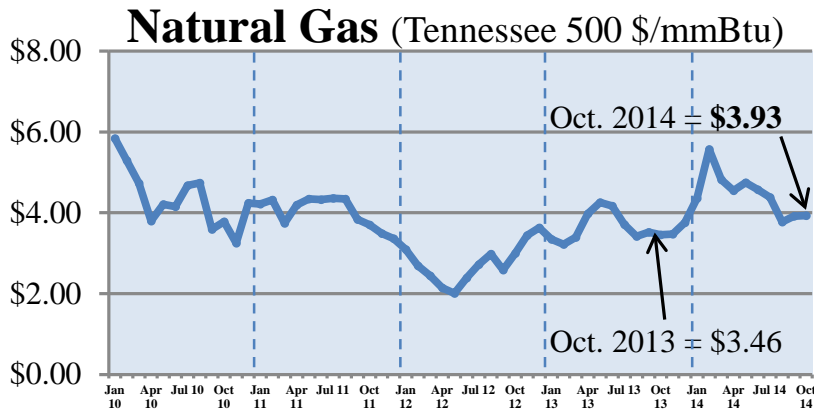


| Changes from 2013 to 2014 | Heat Pumps | Fan Coils | Other | Total |
|---------------------------|------------|-----------|-------|-------|
| Q3                        | 0%         | 2%        | 48%   | 5%    |
| YTD                       | (8%)       | (9%)      | (17%) | (10%) |



# Chemical Commodity Prices

## Feedstocks & End Products



# Chemical Agricultural Market Outlook

## Favorable Indicators:

- ✓ Planting level ~ 87 mil acres corn
- ✓ Nitrogen fertilizer demand relatively strong
- ✓ Natural gas feedstock cost relatively low historically – North American producers advantaged

## Grain Stock-to-use ratios:

- ✓ At 10-year highs

(Source: USDA WASDE report, 10-10-14 for crop year 2015)

- US Corn = 15.3%
- World Corn = 19.6%
- World Wheat = 27.0%

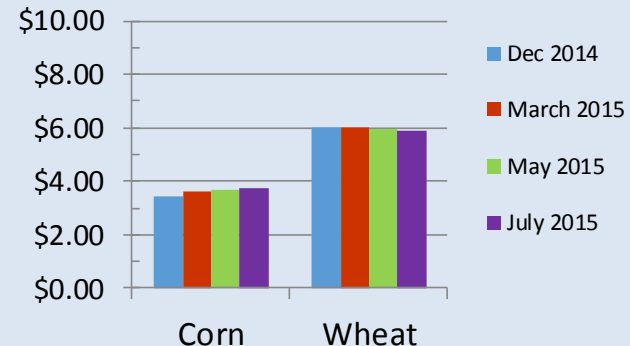
## Fertilizer Prices:

- ✓ Current Nitrogen products at or higher than a year ago

## Wild Cards:

- Crop prices
- Weather conditions improved over 2013 – more moisture
- Ethanol production
- Chinese urea exports
- Transportation issues
- World unrest – possible nitrogen supply disruption

## Forward Crop Prices / Bushel



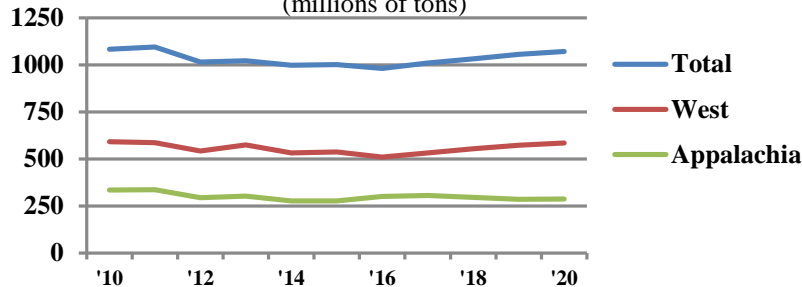
### Sources:

Corn: Chicago Board of Trade 10-19-14 close  
Wheat: Kansas City Board of Trade 10-19-14 close

# Chemical Market Outlook: Industrial & Mining

## Coal Production Projections

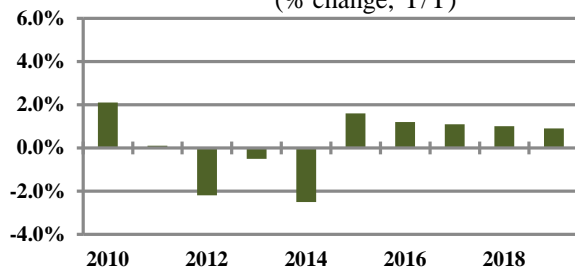
Source: Dept. of Energy – Energy Information Agcy.  
2014 Annual Energy Outlook & Short-Term Energy Outlook  
(millions of tons)



**Coal** – AN and AN solution are used for surface mining. Ammonia is used for NOx abatement. In 2013, coal accounted for 40% electricity generation. The forecast is for this to remain steady in 2014, but will decline to 37% by 2020 with increases in natural gas-based production.

## U.S. Paper Production

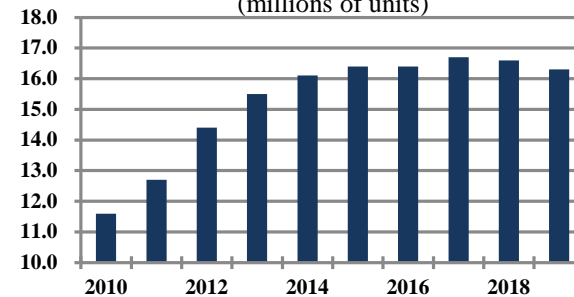
Source: American Chemistry Council  
Mid Year 2014 Situation & Outlook  
(% change, Y/Y)



**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

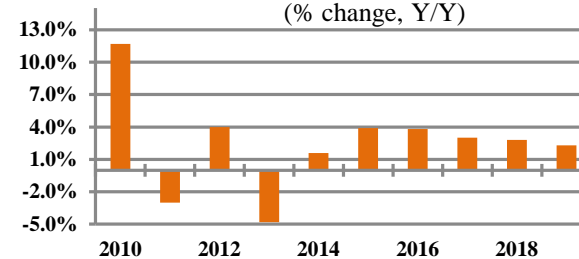
Source: American Chemistry Council  
Mid Year 2014 Situation & Outlook  
(millions of units)



**Polyurethane Intermediates** – LSB's chemical business supplies nitric acid for polyurethane intermediates used in many automotive applications.

## Basic Chemicals: Inorganics

Source: American Chemistry Council  
Mid Year 2014 Situation & Outlook  
(% change, Y/Y)



**Basic Chemicals: Inorganics** – These industry statistics provide a good overall indicator of LSB's industrial chemical business. After the European recessionary impacts in 2013, the industry performance now indicates a moderate recovery for 2014 and beyond as investments to capitalize on the energy boom come on line.

El Dorado, Arkansas



Pryor, Oklahoma



Cherokee, Alabama



Baytown, Texas



# Facilities Status

## ■ El Dorado

- Operating at planned production levels
- Expansion projects on-time and on-budget

## ■ Pryor

- Ammonia plant running well at targeted production of 650 TPD
- Maintenance performed in Q3 should improve overall plant reliability and production rates

## ■ Cherokee

- Extended Turnaround successfully completed in Q3 transitioning facility to two-year turnaround schedule
- Operating at historical production levels of 500 TPD of ammonia production

## ■ Baytown

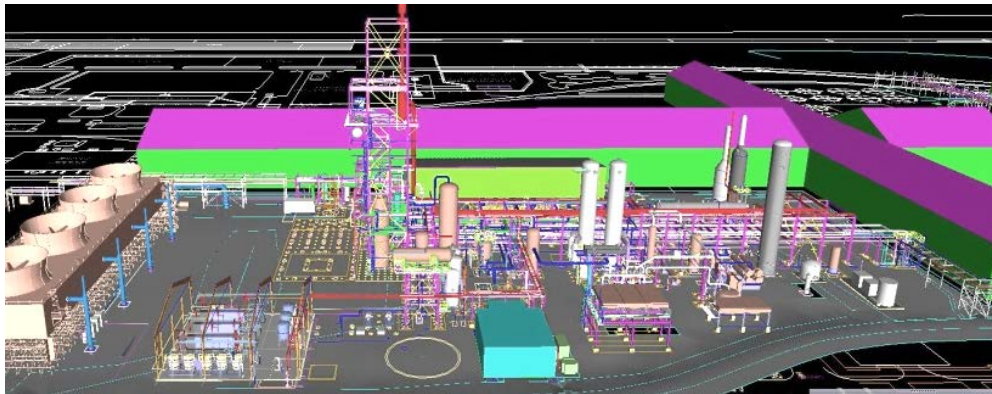
- Operating at targeted production levels

# Ammonia Plant Project Status

| 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  | Ongoing / On Schedule |
| Setting Equipment   | Ongoing / On Schedule |
| Structural Steel  | Ongoing / On Schedule |
| Above ground Piping   | Ongoing / On Schedule |
| Instrumentation & Electrical  | Ongoing / On Schedule |
| Commissioning   | Planned / On Schedule |
| Staffing & Training   | Planned / On Schedule |
| Initial Start-up  | Planned / On Schedule |

- 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

# EL Dorado Ammonia Plant



**CAD rendering  
of completed  
plant**

**Current Site – Q3**



**Ammonia  
Cooling  
Tower  
Basin**

**Primary  
Reformer  
future site**

**Secondary  
Reformer**

**Waste Heat and  
Steam Drum  
Superstructure**

**High & Low  
Temperature  
Shift**

**Pipe Rack**

**CO2  
Strippers**

**CO2  
Absorber**

**Ammonia  
Converter**

# Nitric Acid Plant & Concentrator Project Status

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

- Capacity = 370,000 TPY
- Estimated Completion: Q2 2015
- Estimated Start-up: Q3 2015
- Benefits:
  - ✓ Replace lost acid capacity
  - ✓ Additional capacity
  - ✓ Enhanced product balance
  - ✓ Improved operating characteristics

# El Dorado Nitric Acid Plant & Concentrator

Current Site – Q3



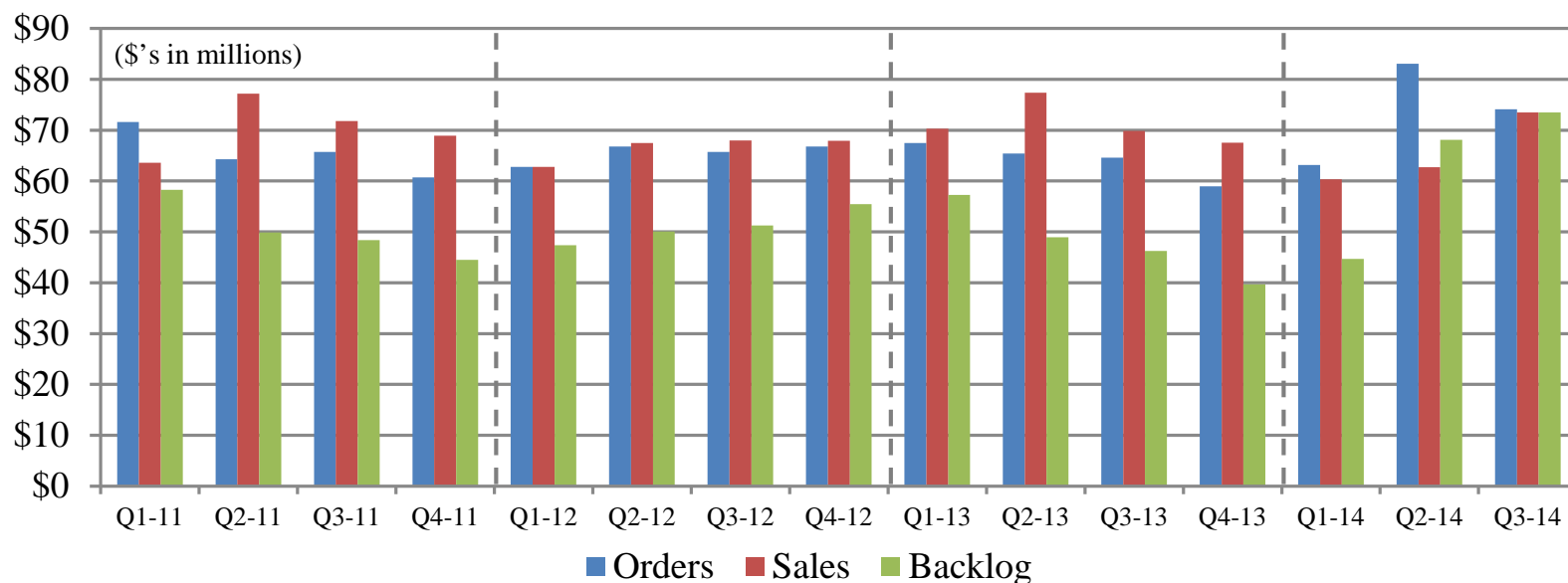
**Concentrator  
Superstructure**

**Cooling Tower**

**Nitric Acid Plant**



# Climate Control Orders, Sales & Backlog



| Changes from Q3 2013 to Q3 2014 | Commercial & Institutional | Single Family Residential | Total |
|---------------------------------|----------------------------|---------------------------|-------|
| Q3 New Orders                   | 19%                        | (4%)                      | 15%   |
| Q3 Sales                        | 8%                         | (8%)                      | 5%    |
| Ending Backlog at 9-30          | 67%                        | (34%)                     | 59%   |

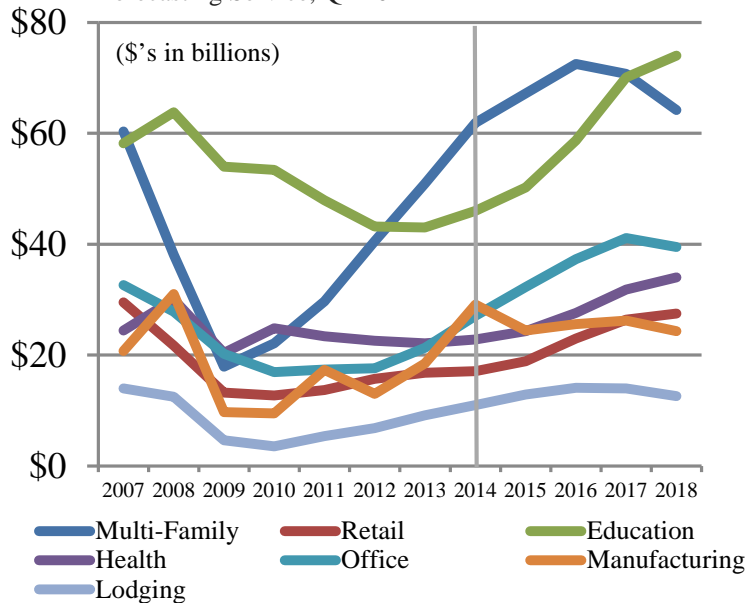
- Q3 2014 bookings at \$74.1 million, continuing to increase year over year.
- Bookings YTD through September 2014 were \$220 million, 12% higher than 2013.
- Backlog at September 30, 2014 was \$74 million compared to \$46 million at September 30, 2013.

# Climate Control Market Outlook

## Commercial & Institutional Construction

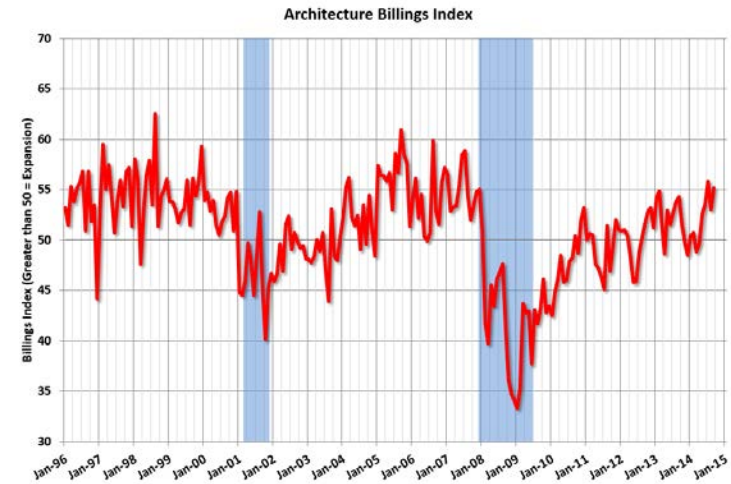
### Construction Awards

Source: McGraw-Hill Construction Market  
Forecasting Service, Q4 2014



- In 2013, these combined markets accounted for approximately 66% of total Climate Control sales and 79% of sales of commercial and institutional products.
- Aggregate increase from 2013 to 2018 forecasted to be 52%.

### September 2014 Architectural Billings Index = 55.2



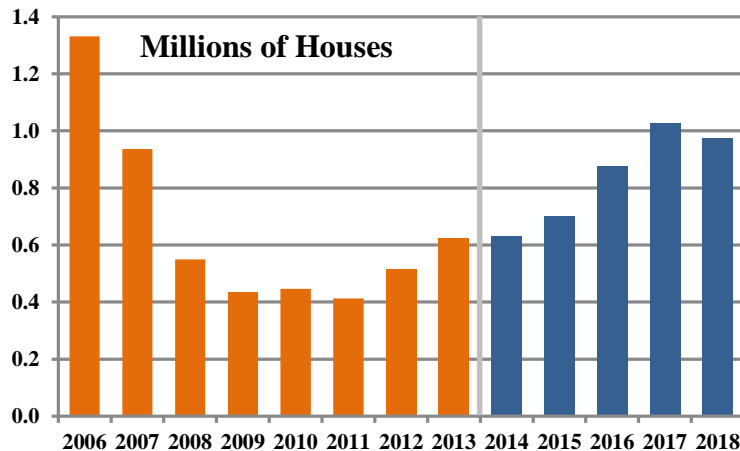
“Strong demand for apartment buildings and condominiums has been one of the main drivers in helping to keep the design and construction market afloat in recent years,” said AIA Chief Economist Kermit Baker. “There continues to be a healthy market for those types of design projects, but the recently resurgent Institutional sector is leading to broader growth for the entire construction industry.”

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

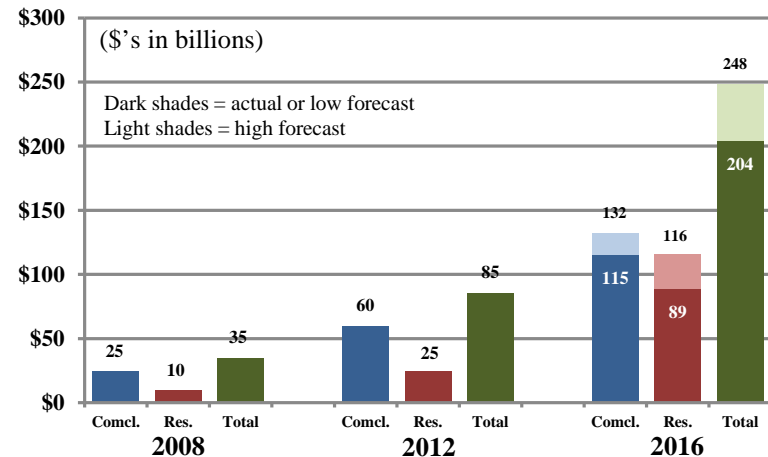
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q4 2014



- Single family residential products (geothermal heat pumps) accounted for approximately 16% of Climate Control sales during the first three quarters of 2014.
- This market is forecast to grow significantly over the next four 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.

# Key LSB Value Drivers

- **Comprehensive upgrade of 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.

# Sales Volume Outlook for Q4 2014

| <u>Products</u>                      | <u>Sales (tons)</u> |
|--------------------------------------|---------------------|
| <b>Agriculture:</b>                  |                     |
| UAN                                  | 95,000 – 115,000    |
| AN                                   | 25,000 – 30,000     |
| Anhydrous ammonia                    | 25,000 – 30,000     |
|                                      |                     |
| <b>Industrial, Mining and Other:</b> |                     |
| Nitric acid                          | 145,000 – 150,000   |
| AN and AN solution                   | 30,000 – 35,000     |
| Anhydrous ammonia                    | 6,000 – 8,000       |

Note: Agricultural anhydrous ammonia sales exclude approximately 5,000 to 10,000 tons of intercompany sales.

# 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 9-30 |                | Nine months ended 9-30 |                | Trailing Twelve months ended 9-30 |                |
|-----------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------------|----------------|
|                                   | 2014                    | 2013           | 2014                   | 2013           | 2014                              | 2013           |
| <b>Net income (loss)</b>          | \$ (3.8)                | \$ 10.3        | \$ 19.0                | \$ 17.6        | \$ 56.3                           | \$ 29.2        |
| Plus:                             |                         |                |                        |                |                                   |                |
| Interest expense                  | 5.1                     | 5.4            | 17.5                   | 6.7            | 24.8                              | 7.1            |
| Depreciation and amortization     | 9.2                     | 7.0            | 26.6                   | 20.1           | 35.0                              | 25.9           |
| Provisions for income taxes       | (2.4)                   | 6.3            | 12.3                   | 10.0           | 37.7                              | 16.4           |
| Loss from discontinued operations | -                       | -              | -                      | -              | 0.2                               | 0.1            |
| <b>EBITDA per conference call</b> | <b>\$ 8.1</b>           | <b>\$ 29.0</b> | <b>\$ 75.4</b>         | <b>\$ 54.4</b> | <b>\$ 154.0</b>                   | <b>\$ 78.7</b> |
| <b>Climate Control Business</b>   |                         |                |                        |                |                                   |                |
| <b>Operating income</b>           | \$ 8.5                  | \$ 8.5         | \$ 17.4                | \$ 24.4        | \$ 23.4                           | \$ 30.2        |
| Plus:                             |                         |                |                        |                |                                   |                |
| Equity in earnings of affiliate   | -                       | 0.1            | 0.1                    | 0.5            | 0.1                               | 0.6            |
| Depreciation and amortization     | 1.2                     | 0.7            | 3.5                    | 2.0            | 4.3                               | 2.7            |
| <b>EBITDA per conference call</b> | <b>\$ 9.7</b>           | <b>\$ 9.3</b>  | <b>\$ 21.0</b>         | <b>\$ 26.9</b> | <b>\$ 27.8</b>                    | <b>\$ 33.5</b> |
| <b>Chemical Business</b>          |                         |                |                        |                |                                   |                |
| <b>Operating income (loss)</b>    | \$ (5.6)                | \$ 17.7        | \$ 46.8                | \$ 20.3        | \$ 114.3                          | \$ 35.3        |
| Plus:                             |                         |                |                        |                |                                   |                |
| Non-operating income              | 0.1                     | -              | 0.2                    | -              | 0.2                               | -              |
| Depreciation and amortization     | 7.7                     | 5.8            | 22.6                   | 16.6           | 29.5                              | 21.3           |
| <b>EBITDA per conference call</b> | <b>\$ 2.2</b>           | <b>\$ 23.5</b> | <b>\$ 69.6</b>         | <b>\$ 36.9</b> | <b>\$ 144.0</b>                   | <b>\$ 56.6</b> |



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)**