LSB Industries, Inc.

2013 Results

February 27, 2014

Jack E. Golsen, Board Chairman and CEO

Barry H. Golsen, President and COO

Tony M. Shelby, Executive Vice President and CFO

Safe Harbor Statement

Information reported on this call or contained in the presentation materials speaks only as of today, February 27, 2014, and therefore you are advised that time-sensitive information may no longer be accurate as of the time of any replay.

Forward Looking Statements

The comments today and the information contained in the presentation materials contain certain forward-looking statements. All of the 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 of forward-looking statement nature identify forward-looking statements, including but not limited to all statements about or any references to the Architectural Billings Index or any McGraw-Hill forecast, any references to natural gas costs, ammonia costs, fundamentals of the Ag business and basic inorganic chemical trends. The forward-looking statements include but are not limited to the following statements – substantial upgrades will reward shareholders over time; achieving Pryor's potential; expected timing to have the acid plants and new ammonia plant fully installed and operating; elimination of our need to purchase ammonia off of the pipeline should result in a reduction of feedstock costs, production of excess ammonia, which we will be able to sell into the pipeline, projects at El Dorado will contribute approximately $90-100 million of incremental annual EBITDA, we will continue to execute our three year plan, plans to fund high capital expenditures over the next two years; our future sales mix; UAN prices; demand for our fertilizers; achieving reliability at Pryor; uses of most of the new ammonia that we produce; inventory and order level at Pryor. We expect that the total cost of these projects will be between $420 and $490 million. We expect them to generate from $90 to $100 million of incremental annual EBITDA. We also estimate the internal rate of return on these projects to be between 15% - 17%; condition of the major components of the ammonia plant; growth in sales in the Climate Control business. The LEAN initiative will improve the operating metrics and profitability of our Climate Control business. We will continue to develop and introduce new products in 2014 and future years.

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 heading "Special Note Regarding Forward-Looking Statements" in our annual report Form 10-K for the fiscal year ended December 31, 2013. 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 noncash charges, unless otherwise described. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to GAAP measurements. The reconciliation of GAAP and any EBITDA numbers discussed during this conference call are included on the Q4-2013 conference call presentation which is posted on our website.

Overview

- High level financial results for the 2013:
  - Q4 Sales = $149 Million
  - Q4 Fully diluted earnings = $1.58/share
  - 2013 Sales = $679 million
  - 2013 fully diluted earnings = $2.33/share
- We have made substantial changes that we believe will move us toward a fully operational Pryor, and will allow us to achieve Pryor's potential. When we are finished, we believe we will have created an asset with a replacement cost of up to a billion dollars.
- All of our other Chemical facilities are operational and performing at acceptable production rates.
- We are undertaking major capital projects at our El Dorado facility that we believe will contribute approximately $90 to $100 million of incremental annual EBITDA when fully operational.
- We are also investing in plant reliability enhancements and safety upgrades at all of our chemical facilities.
- Agricultural market fundamentals are historically strong, although not as strong as recent years.
- Our Climate Control Business improved in 2013 and is poised for profitable growth in line with its construction end markets and LEAN / operational excellence initiatives that should create improved margins.

LSB Consolidated Financial Results

Fourth Quarter Highlights

$ in millions except per share amounts	Three Months Ended December 31,		
	2012	2013	Change
Net Sales	$177.1	$149.0	($28.1)
Operating Income	$18.4	$70.2	$51.8
% of net sales	10.4%	47.1%	36.7%
Net Income	$11.6	$37.3	$25.7
% of net sales	6.5%	25.1%	18.5%
Diluted EPS	$0.49	$1.58	$1.09
Cash Flow Provided by Operations	$26.1	$8.8	($17.3)
EBITDA (see page 42 for reconciliation)	$24.3	$78.5	$54.2
Cash, (including restricted cash and investments classified as non-current)	$98.1	$434.7	$336.6

LSB Consolidated Financial Results

Full Year Highlights

$ in millions except per share amounts	Twelve Months Ended December 31, 2012	2013	Change
Net Sales	$759.0	$679.3	($79.7)
Operating Income	$95.7	$105.3	$9.6
% of net sales	12.6%	15.5%	2.9%
Net Income	$58.6	$55.0	($3.6)
% of net sales	7.7%	8.1%	0.4%
Diluted EPS	$2.49	$2.33	($0.16)
Cash Flow Provided by Operations	$99.5	$54.1	($45.4)
EBITDA (see page 42 for reconciliation)	$117.3	$132.9	$15.6
Cash, (including restricted cash and investments classified as non-current)	$98.1	$434.7	$336.6

Chemical Business

Fourth Quarter & Full Year Highlights

$ in millions	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2012	2013	Change	2012	2013	Change
Net Sales	$105.3	$77.7	($27.6)	$477.8	$380.7	($97.1)
Gross Profit	$18.9	$7.0	($11.9)	$97.7	$46.2	($51.5)
% of net sales	18.0%	9.1%	(8.9%)	20.4%	12.1%	(8.3%)
Operating Income	$15.1	$67.5	$52.4	$82.1	$87.8	$5.7
% of net sales	14.3%	87.0%	72.6%	17.2%	23.1%	5.9%
EBITDA	$19.8	$74.5	$54.7	$98.5	$111.4	$12.9
Capital Expenditures	$29.4	$33.3	$3.9	$84.4	$150.8	$66.4

- 2013 sales were down due to downtime at our Cherokee and Pryor facilities, lower production at EDC, and a planned Turnaround at our Baytown facility.
- 2013 gross profit decreased primarily due to the downtime at our facilities, whereas operating income increased year over year due to $94.6 million in insurance recoveries.

Climate Control Business

Fourth Quarter & Full Year Highlights

$ in millions	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2012	2013	Change	2012	2013	Change
Net Sales	$67.9	$67.5	($0.4)	$266.2	$285.0	$18.8
Gross Profit	$20.1	$22.4	$2.3	$81.0	$92.9	$11.9
% of net sales	29.6%	33.1%	3.5%	30.4%	32.6%	2.2%
Operating Income	$5.8	$6.0	$0.2	$25.8	$30.4	$4.6
% of net sales	8.6%	8.9%	0.3%	9.7%	10.7%	1.0%
EBITDA	$6.7	$6.8	$0.1	$29.0	$33.6	$4.6
Capital Expenditures	$1.3	$0.5	($0.8)	$5.1	$6.0	$0.9

- Sales of our geothermal and water source heat pump products, hydronic fan coils and modular chillers were up in 2013, whereas sales of large custom air handlers and engineering and construction services declined from the prior year.
- The annual improvements in gross profit, margin, operating income and EBITDA are primarily attributable to higher sales volume, product mix and raw material costs.

Insurance Recoveries

$'s in millions

	2013		2012	
	Calendar Year	**Fourth Quarter**	**Calendar Year**	**Fourth Quarter**
Insurance Recoveries:				
Business Interruption	$ 28.6	$ 10.2	$ 7.3	$ 7.3
Property Damage	66.0	66.0	-	-
Total Recoveries	**94.6**	**76.2**	**7.3**	**7.3**
Recorded as:				
Cost of Sales Reduction	28.6	10.2	7.3	7.3
Other Income	66.0	66.0	-	-
Total Income Recognition	**$ 94.6**	**$ 76.2**	**$ 7.3**	**$ 7.3**

- During 2013, we settled claims with our insurance carrier on the May 2012 event at the El Dorado Facility and made significant progress resolving the November 2012 event at the Cherokee Facility. We received $108 million related to these two events. Approximately $13.4 million was applied to insurance receivable and the balance of $94.6 million was recognized as income as shown above.
- In January 2014, we settled the Cherokee claim and received $28 million that will be recognized as income in the first quarter.

Normalized Earnings

$'s in millions

Following is a summary of the estimated adverse impact on the operating income of our Chemical Business by facility resulting from lost production due to downtime, and excluding insurance recoveries recognized. It also reflects changes in market conditions.

	Calendar Year		Fourth Quarter	
	2012	2013	2012	2013
Reported operating income	**$ 82**	**$ 88**	**$ 15**	**$ 68**
Add: Downtime				
Estimated effect of downtime on operating income by facility (mid-range):				
El Dorado	20	11	4	2
Cherokee	13	33	13	-
Pryor	50	68	12	24
Total Downtime	**83**	**112**	**29**	**26**
Less: Insurance Recoveries	(7)	(95)	(7)	(76)
Net: Downtime exceeds (less than) insurance	76	17	22	(50)
Normalized operating income	**$ 158**	**$ 105**	**$ 37**	**$ 18**

As described in detail in our public filings, our Chemical Business encountered a number of issues resulting in lost production, or "downtime". The calculation of the effect on operating income of this downtime considers the effect of unabsorbed fixed overhead costs, extra expenses and margins on lost sales volume, all related to the lost production during the downtime.

Solid Financial Position

Strong Balance Sheet

$ in millions	December 31, 2012	December 31, 2013
Cash (including restricted cash and investments classified as non-current)	$98.1	$434.7
Total Debt (interest bearing) [A]	$72.4	$463.0
Stockholders' Equity	$354.5	$411.7
Total Capitalization	$426.9	$874.7
Interest Coverage Ratio [B]	27.7x	9.5x

A. As of December 31, 2013, total debt consisted of $425 million 7.75% Senior Secured Notes due in 2019; a $30 million Secured Promissory Note due in February 2016 and $8.0 million of equipment loans and capital leases. Our availability under the $100 million working capital revolver loan is $67 million.

B. The Interest Coverage Ratio is calculated by dividing net interest expense into EBITDA.

Capital Spending (as of December 31, 2013)

$'s in millions

Total Projects

(including El Dorado below)

	Committed		Additional Planned	Total
	2014	2015 and after		
Chemical Business	$ 220 - $ 250	$ 110 - $ 135	$ 160 - $ 175	$ 490 - $ 560
Climate Control Business	0 - 1	0 - 0	5 - 10	5 - 11
Other	7 - 10	9 - 13	0 - 0	16 - 23
	$ 227 - $ 261	$ 119 - $ 148	$ 165 - $ 185	$ 511 - $ 594

El Dorado Projects

	Spent to-date	Committed		Additional Planned	Total
		2014	2015 and after		
Ammonia Plant	$ 35	$ 90 - $ 110	$ 75 - $ 90	$ 50 - $ 65	$ 250 - $ 300
Nitric Acid Plant & Concentrator	48	50 - 55	15 - 20	0 - 0	113 - 123
Support Infrastructure (OSBL)	0	55 - 60	10 - 15	0 - 0	65 - 75
	$ 83	$ 195 - $ 225	$ 100 - $ 125	$ 50 - $ 65	$ 428 - $ 498

El Dorado Projects Estimated Internal Rate of Return = 15% to 17%

Internal Rate of Return for El Dorado projects is based on our estimated product mix, a market price for ammonia of $500 per metric ton, and $5.00 per mmBtu natural gas. We believe these are reasonable but are variable and subject to future market conditions.

Committed capital expenditures are projects that have been approved by management and include projects which are already in progress and funded or projects supported by cost benefit analysis. Additional planned capital expenditures are subject to economic conditions and continued review by management. We plan to fund the committed and planned capital expenditures from noncurrent restricted cash and investments, working capital, internally generated cash flows, insurance proceeds and third-party financing.

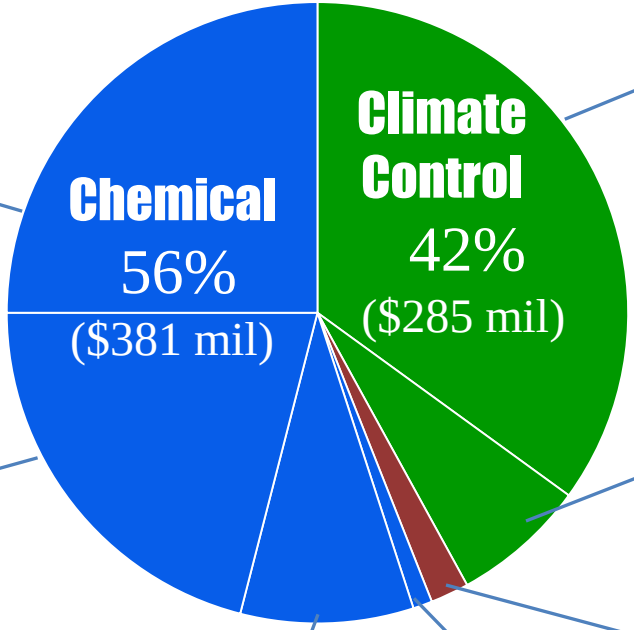
Where Our Products Go

2013 Full Year Sales Mix (Not Typical)

25% Agriculture

21% Industrial Acids & Ammonia

9% Mining



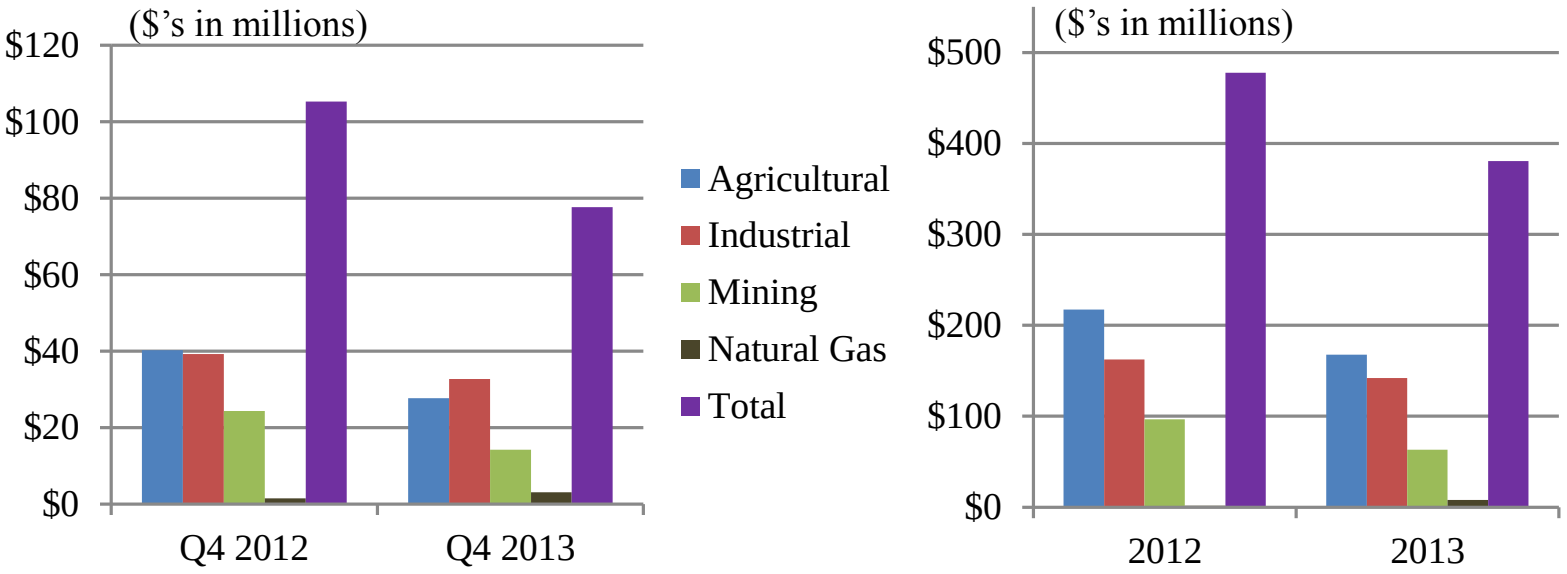
Natural Gas 1%

Engineered Products & Other 2%

35% Commercial & Institutional Buildings

7% Single-family Residential

Chemical Sales

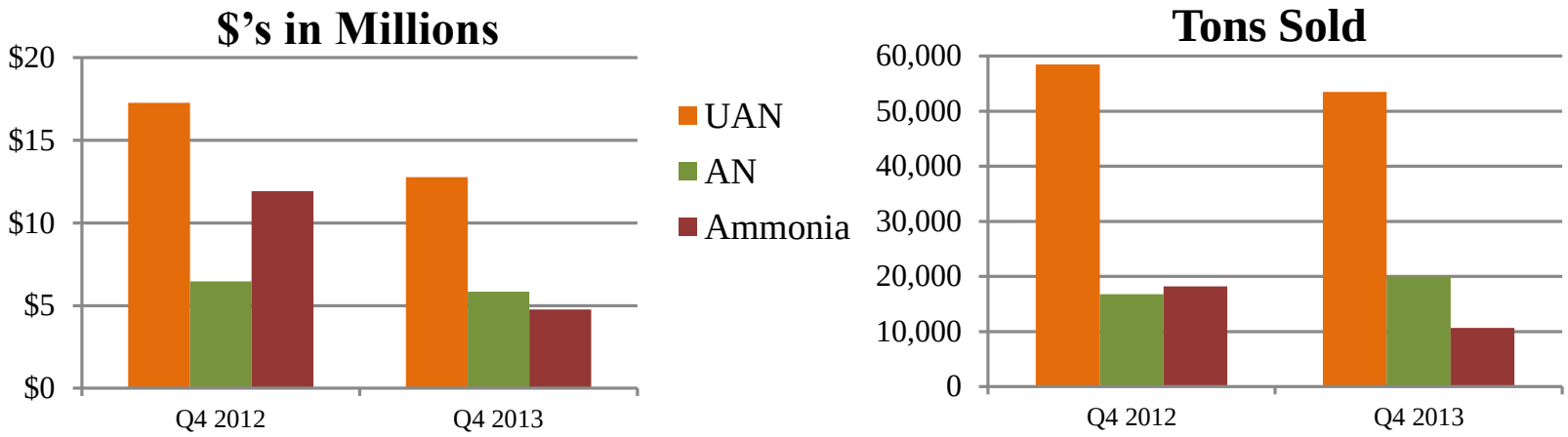


Changes from 2012 to 2013	Agricultural Products	Industrial Acids	Mining Products	Natural Gas	Total
Fourth Quarter	(31%)	(17%)	(42%)	110%	(26%)
Twelve Months	(23%)	(13%)	(35%)	458%	(20%)

- Sales were down for most chemical products due to downtime at our facilities.

Chemical Key Product Sales

Agricultural Sales



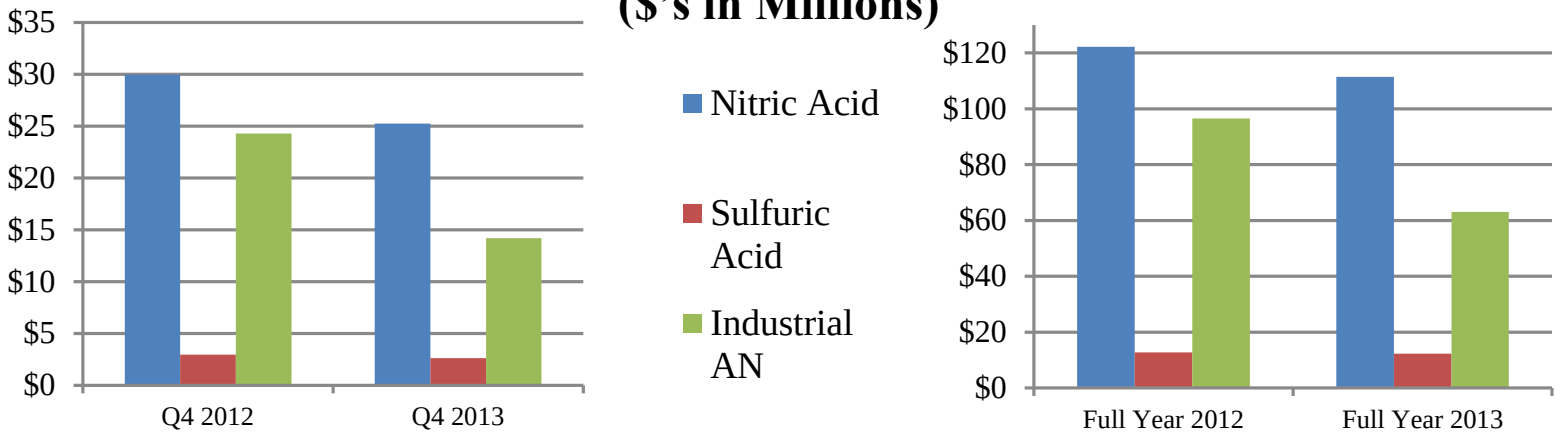
Changes from 2012 to 2013	UAN		AN		Ammonia	
	$'s	Tons	$'s	Tons	$'s	Tons
Fourth Quarter	(26%)	(9%)	(10%)	19%	(60%)	(41%)
Twelve Months	(14%)	(3%)	(19%)	(9%)	(51%)	(45%)

- UAN and ammonia volumes lower due to downtime at Pryor facility.
- AN sales at seasonally low volumes.
- Market prices lower on all nitrogen products.

Chemical Key Product Sales

Industrial Acids & Mining

($'s in Millions)

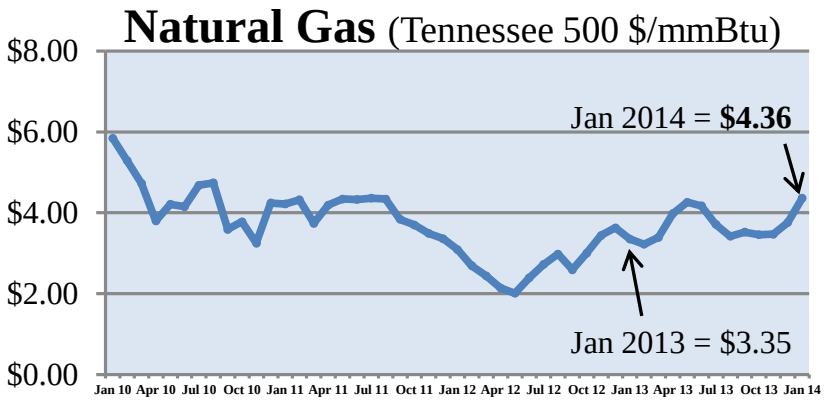


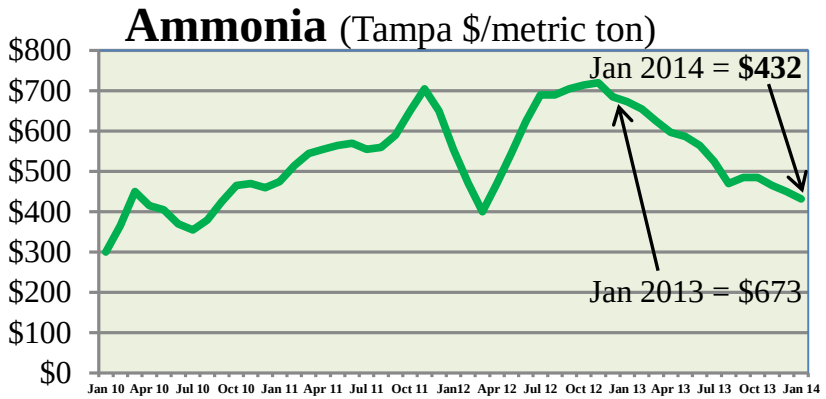
Changes from 2012 to 2013	Nitric Acid		Sulfuric Acid		Industrial AN	
	$'s	Tons	$'s	Tons	$'s	Tons
Fourth Quarter	(16%)	7%	(12%)	11%	(42%)	(32%)
Twelve Months	(9%)	(5%)	(4%)	15%	(35%)	(46%)

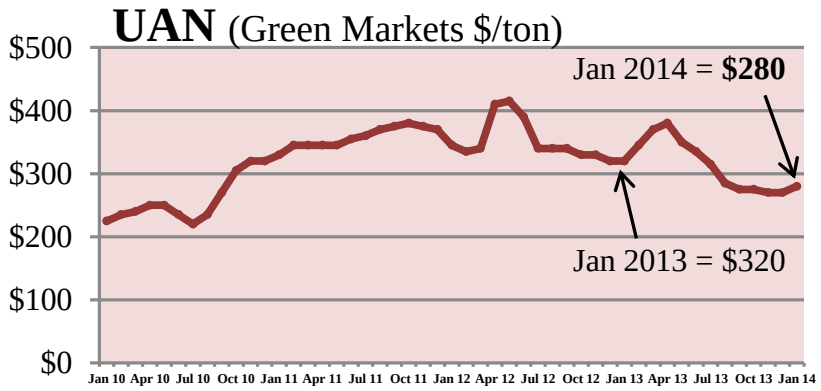
- Nitric acid Q4 volume up due to higher customer demand.
- Industrial grade AN volumes lower due to lower demand in mining sector.
- Sales down due to pass through of lower feedstock costs pursuant to cost-plus arrangements.

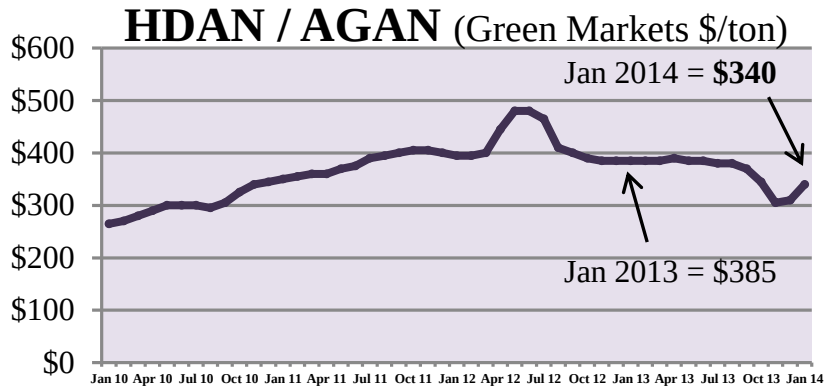
Chemical Commodity Prices

Feedstocks & End Products









Chemical Market Outlook

Agricultural

Favorable Indicators:

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

Grain Stock-to-use ratios:

- ✓ At or below historic levels

(Source: USDA WASDE report, 02-10-14 for crop year 2013/14)

- US Corn = 11.2%
- World Corn = 16.7%
- World Wheat = 26.1%

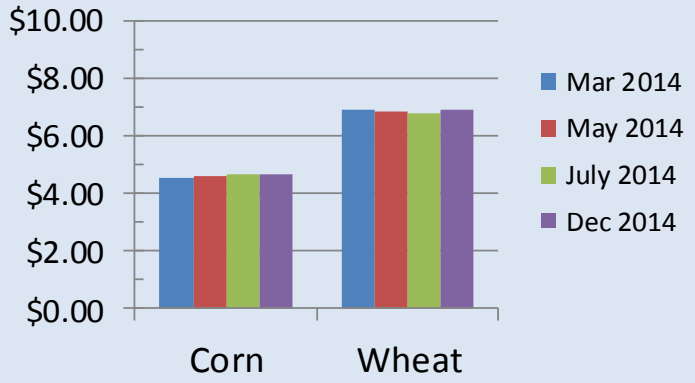
Fertilizer Prices:

- ✓ Lower than a year ago

Wild Cards:

- Weather conditions
- Ethanol production
- Chinese urea exports

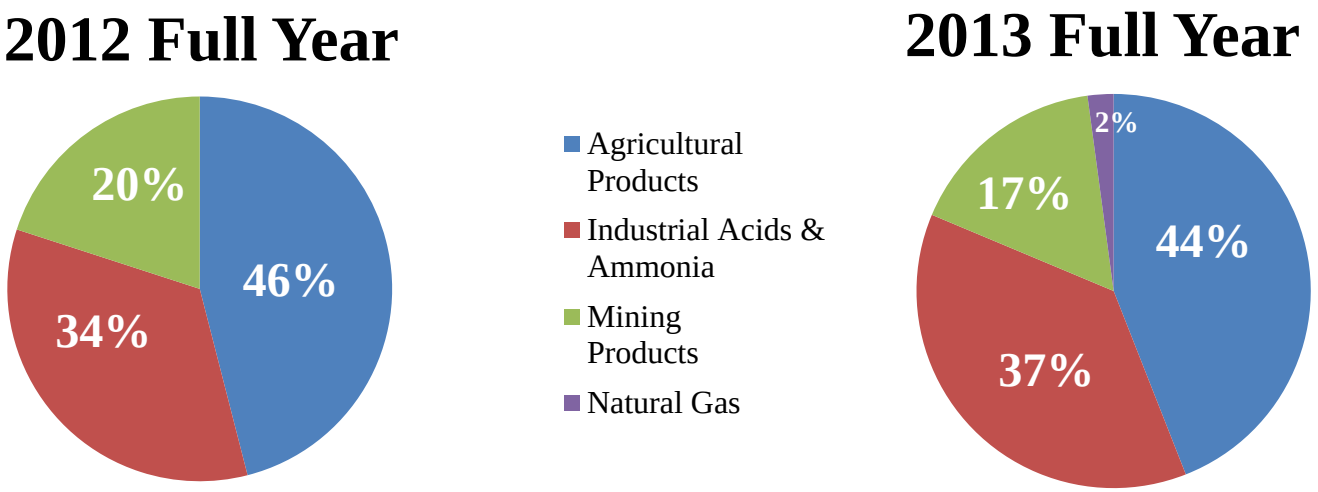
Forward Crop Prices / Bushel



Sources:
Corn: Chicago Board of Trade 2-20-14 close
Wheat: Kansas City Board of Trade 2-20-14 close

Chemical Market Outlook

Industrial & Mining Sales by Sector

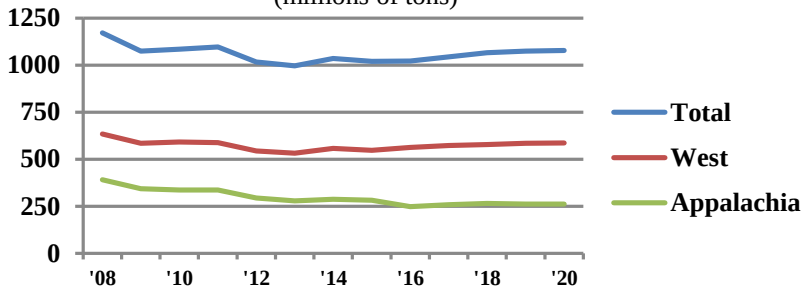


- Agricultural products were down due to downtime at Cherokee and Pryor.
- Mining products down due to lower demand.
- Industrial acids and ammonia were lower due to lower demand and Cherokee downtime, but as a % were not impacted as much as agricultural and mining products.
- Sales were affected by lower selling prices.

Chemical Market Outlook: Industrial & Mining

Coal Production Projections

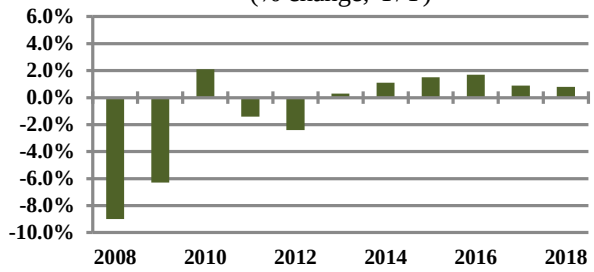
Source: Dept. of Energy – Energy Information Agcy.
2014 Annual Energy Outlook Early Release & Short-Term Energy Outlook
(millions of tons)



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

U.S. Paper Production

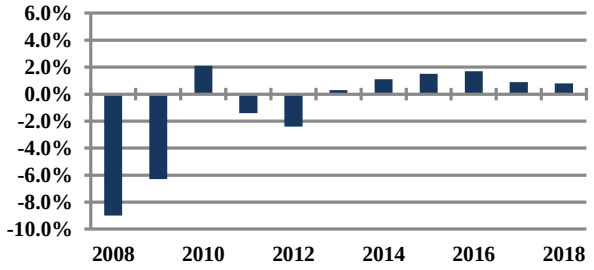
Source: American Chemistry Council
Year End 2013 Situation & Outlook
(% change, Y/Y)



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

Light Vehicle Sales

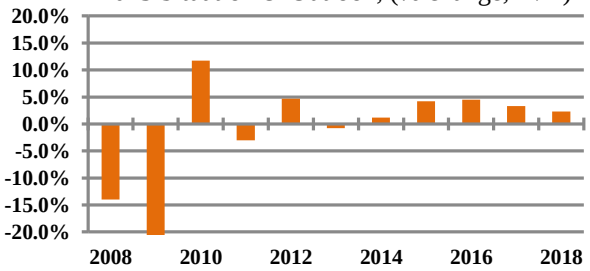
Source:: American Chemistry Council, Year End 2013
Situation & Outlook (millions of units)



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

Basic Chemicals: Inorganics

Source: American Chemistry Council, Year End
2013 Situation & Outlook, (% change, Y/Y)



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

Chemical

Strategies & Major Initiatives

Strategies

- Increased emphasis on operational excellence and facility reliability: enhanced process safety management (PSM), increased capacity, and plant efficiency.
- Continued emphasis on safety and environmental responsibility.
- Further development of large industrial customers and products.
- Continued emphasis on a balance of sales volume between industrial and agricultural sectors.
- Expand agricultural distribution in new geographic territories where justified.

Planned Initiatives

- Enhanced PSM programs.
- Optimize all facility production rates of plants currently on-line.
- Complete expansion of Pryor facility.
- Complete new nitric acid plant at El Dorado.
- Addition of an ammonia plant at El Dorado facility.
- Other major capital projects (other than maintenance projects): NOX abatement; Cherokee and Pryor electrical, control system, equipment safety upgrades and spare parts.

El Dorado Chemical Co.

Cherokee Nitrogen Co.

Pryor Chemical Co.

El Dorado Nitric Co.

Facilities Status

- **El Dorado Chemical** (El Dorado, AR)
  - All acid plants are operational
  - Nitric acid capacity 80% of pre May 2012 incident / Sulfuric acid 100% capacity
  - Constructing new Weatherly 65% nitric acid plant and concentrator – estimated completion during 2015
  - Constructing ammonia plant – estimated completion during late 2015
- **Cherokee Nitrogen** (Cherokee, AL)
  - Resumed production in May 2013
  - Operating at historical production levels
- **Pryor Chemical** (Pryor, OK)
  - Resumed production in April 2013
  - Operated at near design production levels during Q3 with intermittent equipment issues
  - During Q4 2013 and early Q1 2014 additional maintenance performed and plant was not in operation
  - Currently in start-up mode
- **El Dorado Nitric** (Baytown, TX)
  - Operating at optimum performance levels

Chemical Facility Reliability Improvement

Key Components of Pre-existing Program

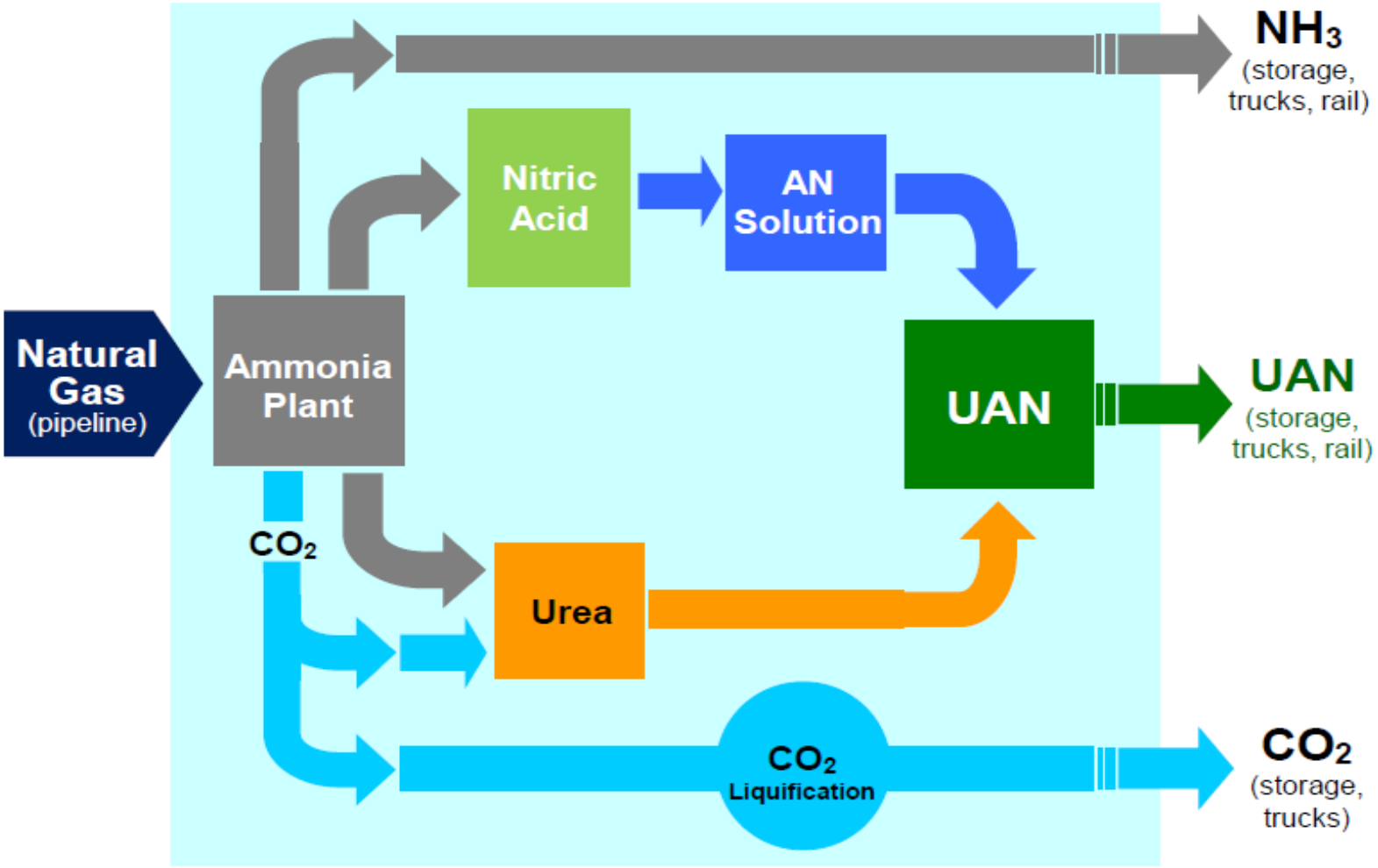
- Facility focused safety and reliability programs and personnel
- Annual third party Process Safety Management ("PSM") program audits
- Third party and internal mechanical integrity programs to inspect process equipment
- Positive Materials Identification ("PMI") on selected new or replacement metallurgy
- Computerized Maintenance Management ("CMMS") systems at three facilities
- Critical spares for selected pieces of equipment

Key Components of Improved Program

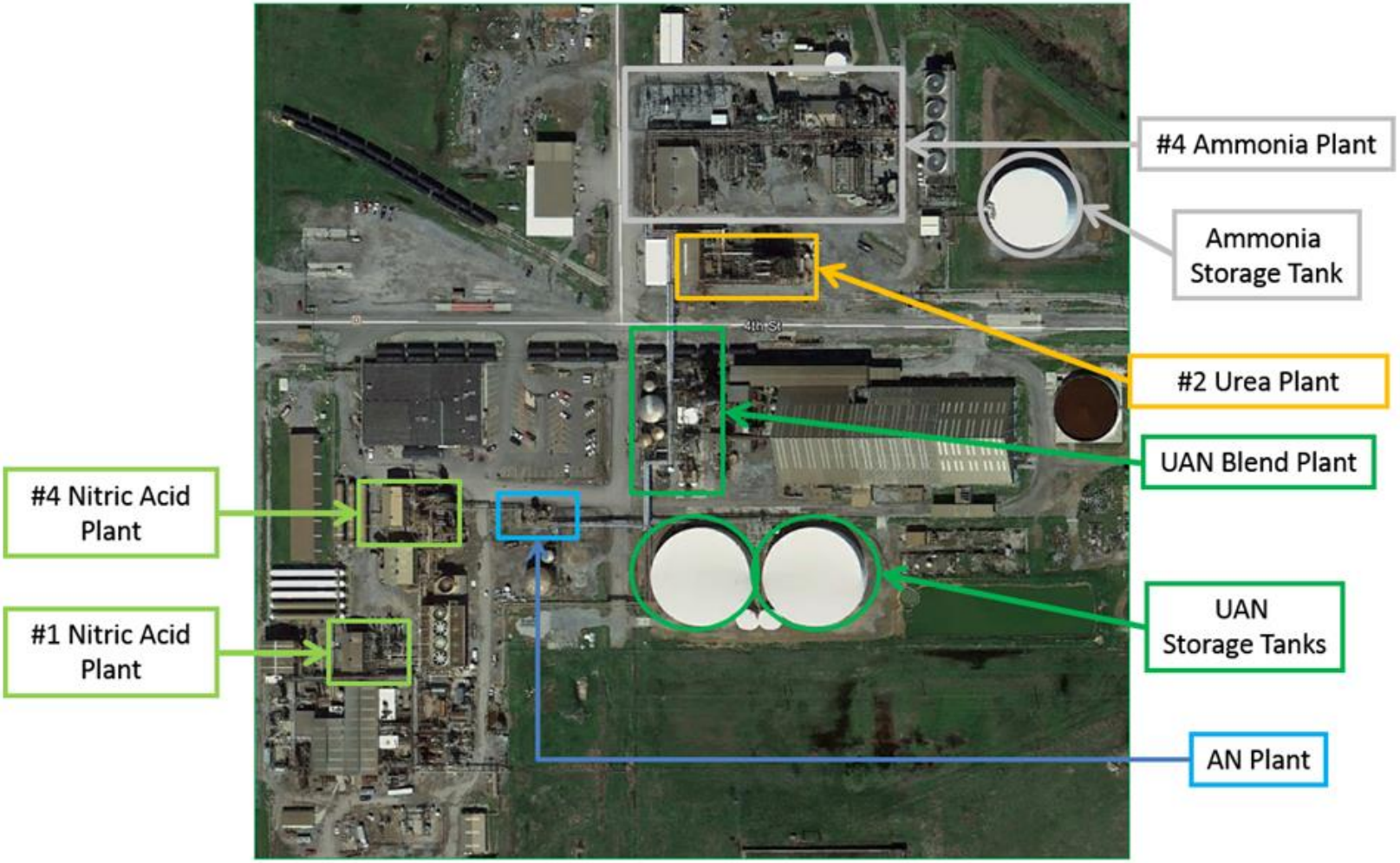
To mitigate the occurrence of future unplanned downtime, LSB has and continues to proactively bolster its reliability programs including the following:

- Appointment of a Corporate Risk Manager dedicated to safety & reliability
- Engaging outside experts and consultants who specialize in risk management, reliability and mechanical integrity to develop:
  - A corporate driven risk strategy for all facilities to reduce risk and better mitigate potential consequences
  - Enhanced PSM programs
  - Broader Mechanical Integrity programs on all existing equipment
  - Corporate PMI programs to ensure more intensive and consistent evaluation of both new and existing equipment and spare parts
  - Addition of CMMS to Pryor facility and upgrading the CMMS systems at the other facilities, as required
  - Expanded critical spare parts inventory
  - Expanded automation systems for control and safety
- Hiring additional corporate and on-site facility engineering and operational personnel
- Installation of additional automation and additional plant equipment protective devices
- Capital improvement program to identify and prioritize safety, environmental and reliability projects

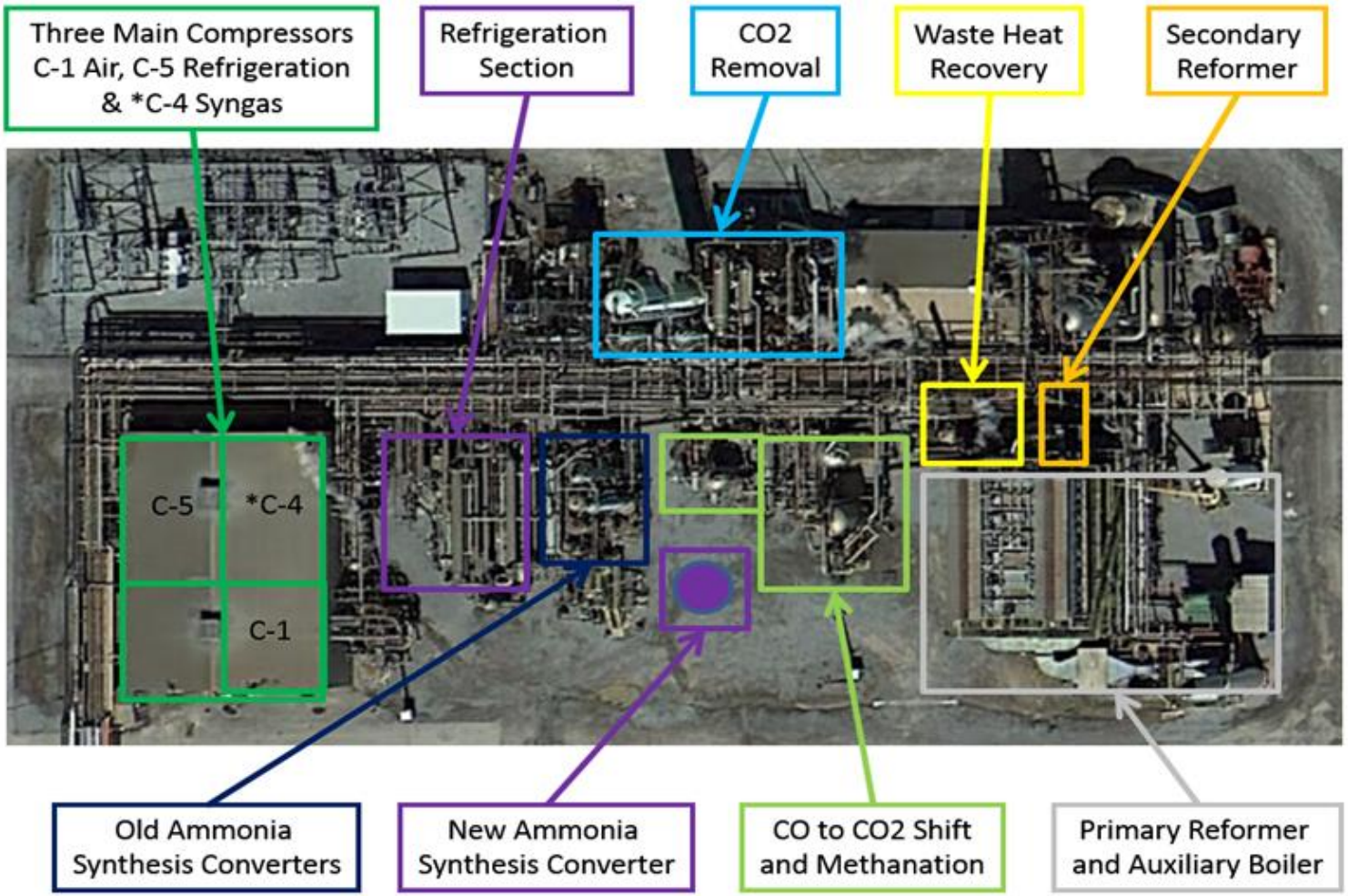
Pryor Facility Status – Process Flow Diagram



Pryor Facility Status – Site Plan



Pryor Facility Status – Ammonia Plant



Pryor Equipment Status – Ammonia Plant

Item		Actions Planned and Taken
Primary Reformer & Auxiliary Boiler		All of the catalyst tubes were replaced and new controls and operating procedures were added. New catalyst was added in 2013. This reformer is in very good condition.
Secondary Reformer		New burner, refractory, & catalyst in secondary reformer were added in 2010. Burner and refractory were inspected/repaired in 2013. This reformer is in very good condition.
Waste Heat Recovery		Located between the Secondary Reformer and High Temperature Shift – The heat exchanger has been inspected and insulation has been rebuilt to like new. Refractory was inspected /repaired in 2013. The waste heat boiler is in good condition.
CO to CO2 Shift Section		Both the High and Low Temperature Shifts were inspected and catalyst and support material were replaced in 2013. The shift converters are in very good condition.
Main Compressors		C-1 Air Compressor (provides air [nitrogen] to the Secondary Reformer) - The Motor and Compressors have been rebuilt and are in very good condition. A Bentley Nevada vibration monitoring and trip protection system was installed during 2012 with additional vibration instrumentation added to the system in 2013.
		C-4 Syngas Machine (circulates synthesis gas in the ammonia converter loop) - A new 14,250 HP drive motor installed in late 2013. All compressors (three) have been rebuilt. A Bentley Nevada vibration monitoring and trip protection system was installed during 2012 with additional vibration instrumentation added to the system in 2013. The 3rd stage compressor was repaired after a 1/27/14 electric power failure (external utility) caused a synthesis gas surge that damaged this unit. The existing recycle system has been upgraded to minimize surge. A comprehensive antisurge system will be installed as soon as possible based on availability from the vendors.
		C-5 Refrigeration Machine (circulates, cools and condenses product ammonia) - The compressors have been rebuilt and are in very good condition. A Bentley Nevada vibration monitoring and trip protection system was installed during 2012 with additional vibration instrumentation added to the system in 2013.
CO2 Removal System		This system has been inspected and is in very good condition.
NH3 Synthesis & Refrigeration		The 6 Pritchard ammonia converters were replaced with a single large Kellogg Ammonia Converter in the 1st Quarter 2013. This added reliability, lowered pressure drop, increased conversion efficiency and capacity. This new converter system is in excellent condition.
Safety Systems		The facility has completed a comprehensive Facility Siting Study and will be completing a Safety Instrument System design review in 2014. As required, safety controls will be updated/replaced.
Controls		An upgraded control system will be installed.

Pryor Equipment Status - Urea & Nitric Acid

#2 UREA	Actions Planned and Taken
CO2 Compressors	The two CO2 compressors have been rebuilt and are in very good condition.
Ammonia Pumps	The two Uraca ammonia pumps have been upgraded and rebuilt and are in very good condition.
Carbamate Pumps	The two Uraca carbamate pumps have been upgraded and rebuilt and are in very good condition.
Urea Reactor	The Urea Reactor had a new liner installed in 2012 and is in very good condition.
Urea Synthesis Section	The Urea Synthesis Section has undergone inspection and cleaning and is in good shape
Safety Systems	The facility has completed a comprehensive Facility Siting Study and will be completing a Safety Instrument System design review in 2014. As required, safety controls will be updated/replaced.
Controls	An upgraded control system will be installed.
#1 NITRIC ACID	**Actions Planned and Taken**
Air Compressor	The air compressor (that provides carrier air to the nitric acid converter) has been rebuilt and is in very good condition. Bentley Nevada vibration and trip protection systems were installed in 2012.
Nitric Acid Converter	The Nitric Acid Converter with a proprietary Cobalt Catalyst is regularly checked and is in very good condition.
Nitric Acid Absorber	The Nitric Acid Absorber has been inspected and is in good condition.
Safety Systems	The facility has completed a comprehensive Facility Siting Study and will be completing a Safety Instrument System design review in 2014. As required, safety controls will be updated/replaced.
Controls	An upgraded control system will be installed.
#4 NITRIC ACID	**Actions Planned and Taken**
Air Compressor	The air compressor (that provides carrier air to the nitric acid converter) has been rebuilt and is in very good condition. Bentley Nevada vibration and trip protection systems are being installed in 2014.
Nitric Acid Converter	The Nitric Acid Converter with a proprietary Cobalt Catalyst is regularly checked and is in very good condition.
Nitric Acid Absorber	The Nitric Acid Absorber has been inspected and is in good condition.
Safety Systems	The facility has completed a comprehensive Facility Siting Study and will be completing a Safety Instrument System design review in 2014. As required, safety controls will be updated/replaced.
Controls	An upgraded control system will be installed.

EDC Capital Projects Overview

Ammonia Plant

- Capacity = 375,000 TPY
- Estimated Cost = $250M - $300M
- Estimated Completion: Q4 2015
- Estimated Production: Q1 2016
- Benefits:
  - Reduced ammonia costs
  - Basic in ammonia supply
  - Additional capacity to sell
  - Enhanced product balance opportunities

DMW2 Nitric Acid Plant & Concentrator

- Capacity = 370,000 TPY
- Estimated Cost = $113M - $123M
- Estimated Completion: Q2 2015
- Estimated Production: Q2 2015
- Benefits:
  - Replace lost concentrated acid capacity
  - Additional capacity
  - Enhanced product balance opportunities
  - Improved operating characteristics

OSBL (both projects) Est. Cost = $65M - $75M

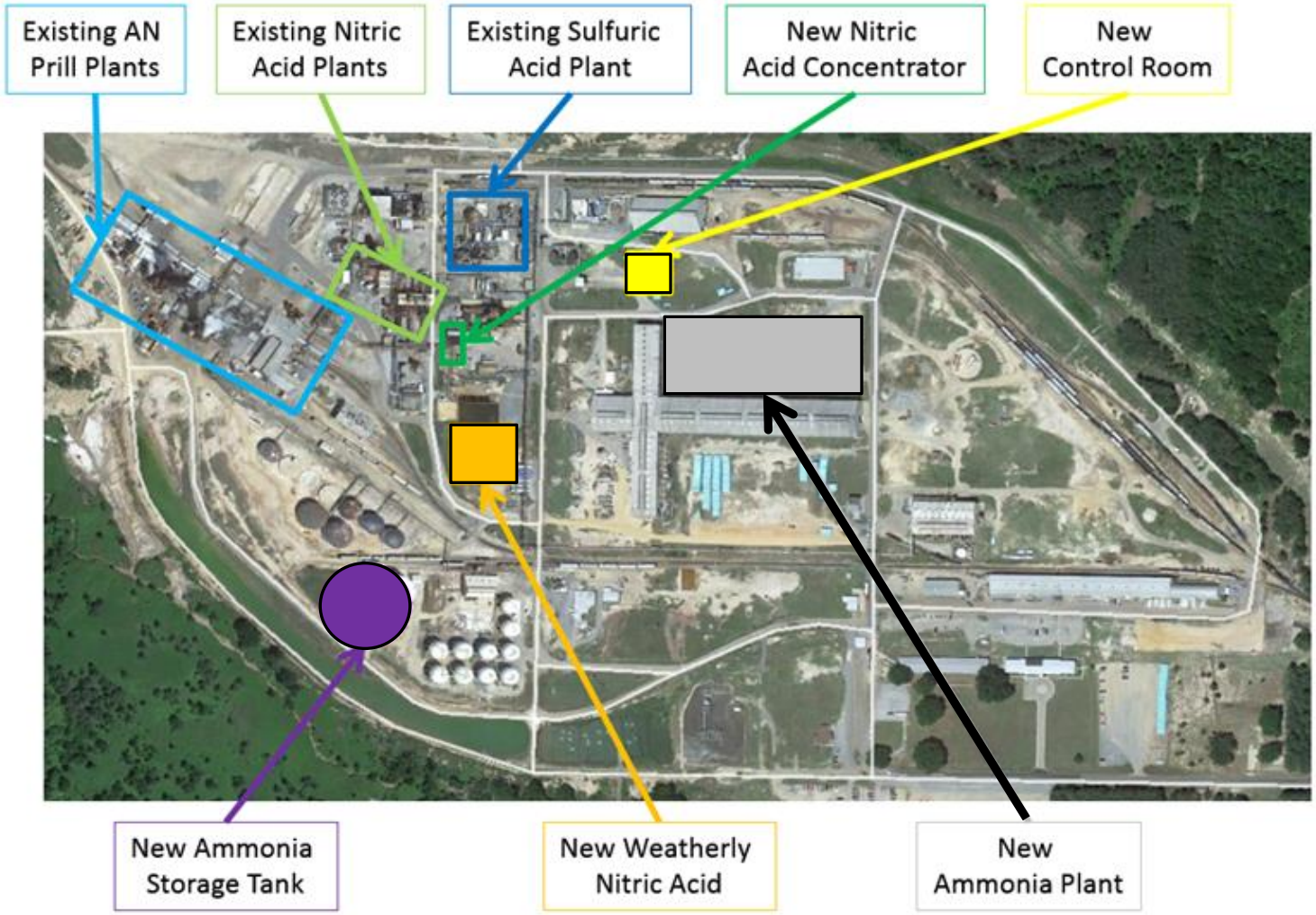
Total Cost (including OSBL) = $428 to $498 million
Estimated Incremental EBITDA = $90 to $100 million
Estimated Internal Rate of Return = 15% to 17% **(see assumptions on p. 11)**

Key Outside Contractors:

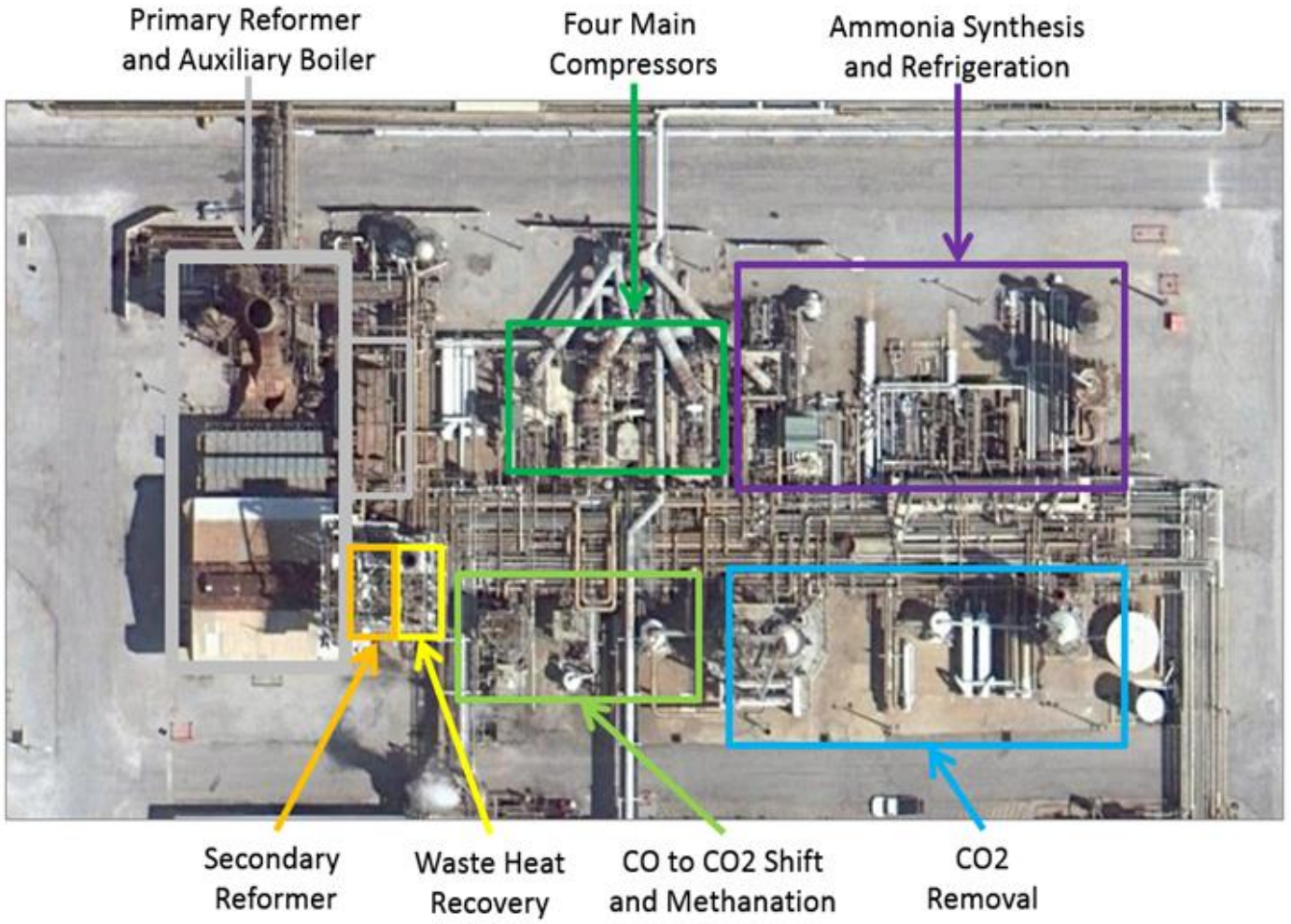
➢ ***Leidos (formerly SAIC / Benham) Primary EPC***

- Lanmark Engineering
- Casale
- Weatherly/Plinke (Chematur Tech)
- Sulzer
- Willbros
- Cust-o-Fab
- ChemTreat
- Chem-Engineering Services
- BD Energy
- SPX/Marley
- Air Products

EDC Capital Projects – Site Plan



EDC Ammonia Plant – Site Plan *



* This photograph is a sister plant to the EDC ammonia plant.

EDC Ammonia Plant Equipment Status & Actions

Equipment		Status/Actions
Primary Reformer (separates hydrogen from carbon)		All functional components new (burner, refectory and catalyst) - reuse external shell only
Secondary Reformer (adds nitrogen and separates hydrogen from carbon)		All functional components new (catalyst tubes, convection section, SCR and boiler) - reuse external shell only
Waste Heat Recovery		Remanufactured to like new condition and specifications
CO to CO2 Shift Section (converts carbon monoxide to carbon dioxide)		New Catalyst and efficiency upgrade
Compressors (Air, Refrigeration & Synthesis Gas)		Remanufactured by Sulzer to like new condition and specifications
CO2 Removal System		Remanufactured to like new condition and specifications
Ammonia Converter (converts synthesis gas to ammonia)		Modern Casale Design to be remanufactured to like new condition and specifications
All Electricals		New
Automation & Controls		New
Piping		New under 3”, over 3” new if required
Foundations		New
Cooling Tower		New
Ammonia Storage Tank		New
Water Treatment System		New

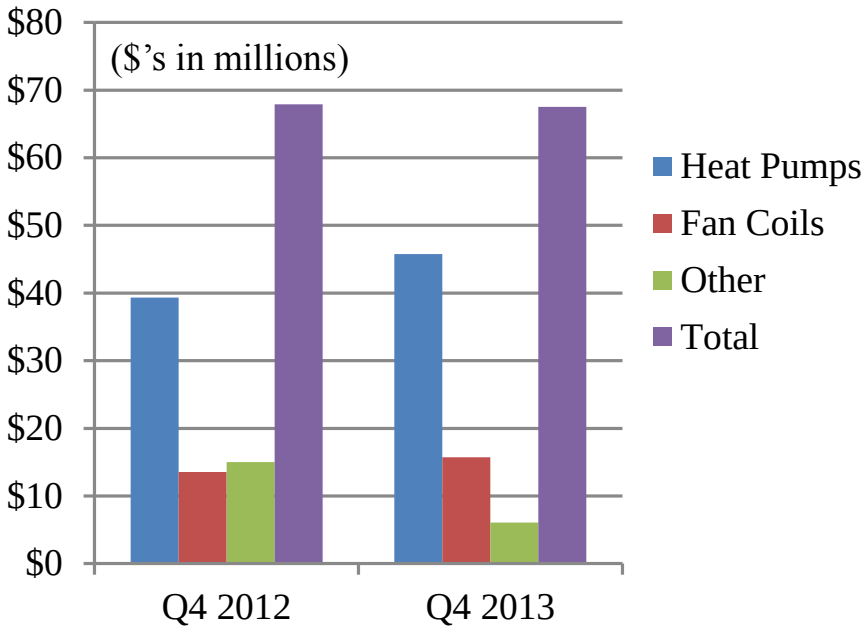
Ammonia Plant Project Status

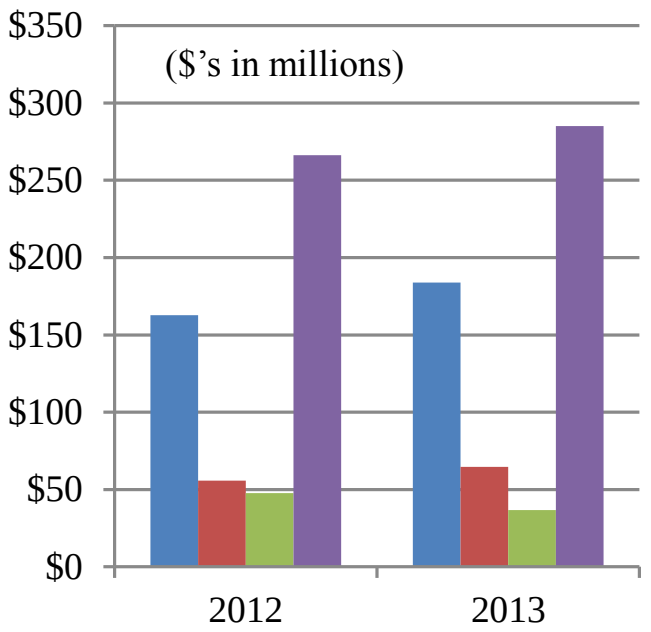
Project Elements	Status
Dismantle/Move Plant - LA to AR	Complete
Environmental Permit (Air)	Complete
Frontend Engineering Design [FEED], (Foundations, Underground Piping, Structural Steel, Above Ground Piping, Instrumentation, Electrical)	Ongoing / On Schedule
Inspections of base equipment and use, rebuild,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

DMW2 Nitric Acid Plant 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	Ongoing / On schedule
Equipment Procurement	Complete
Foundations & Concrete Base	Ongoing / On schedule
Underground Piping	Planned / On Schedule
Building Erection	Planned / On Schedule
Setting Equipment	Planned / On Schedule
Structural Steel	Ongoing / On schedule
Aboveground Piping	Planned / On Schedule
Instrumentation & Electrical	Planned / On Schedule
Commissioning	Planned / On Schedule
Staffing & Training	Planned / On Schedule
Initial Start-up	Planned / On Schedule

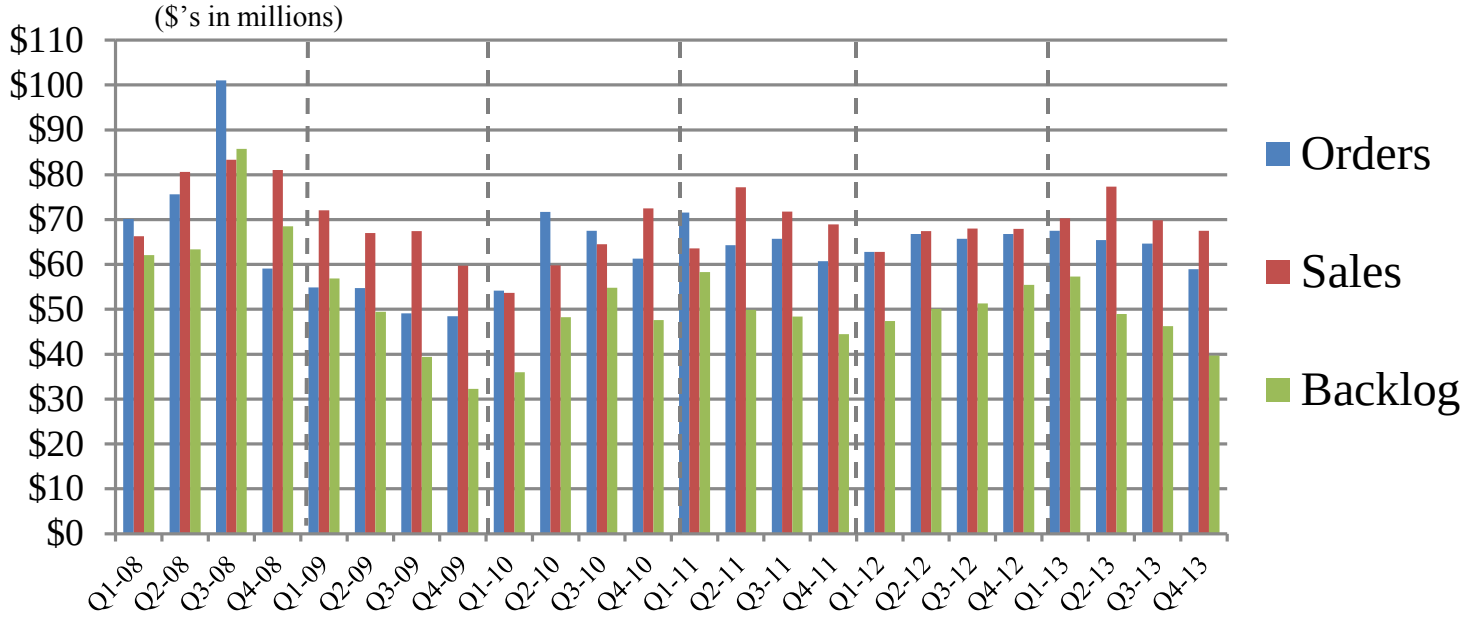
Climate Control 2013 Sales





Changes from 2012 to 2013	Heat Pumps	Fan Coils	Other	Total
Fourth Quarter	16%	16%	(60%)	(1%)
Twelve Months	13%	16%	(23%)	7%

Climate Control Orders, Sales & Backlog

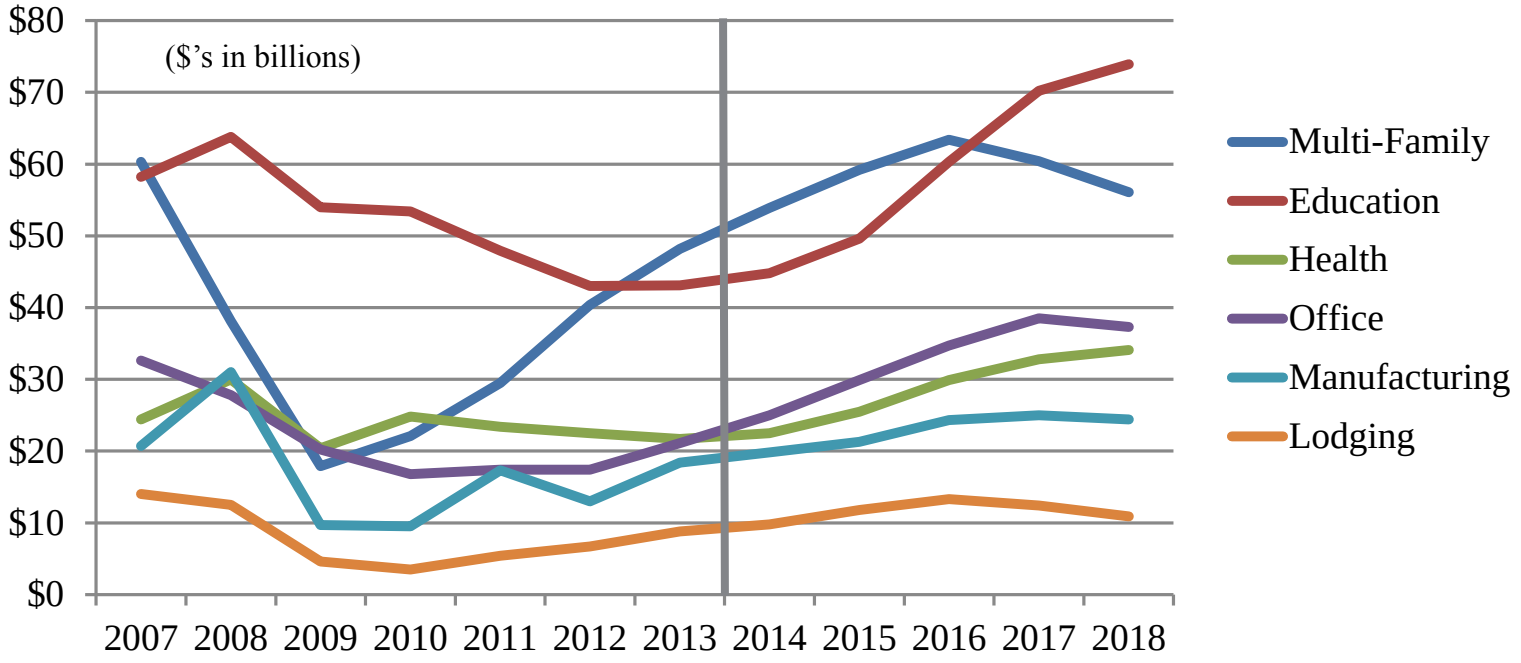


Changes from 2012 to 2013	Commercial & Institutional	Single Family Residential	Total
Q4 New Orders	(12%)	(13%)	(12%)
Q4 Sales	(3%)	13%	(1%)
Twelve Months Orders	(2%)	(2%)	(2%)
Twelve Months Sales	8%	3%	7%
Ending Backlog at 12-31	(26%)	(60%)	(28%)

Climate Control Market Outlook

Commercial & Institutional Construction Awards

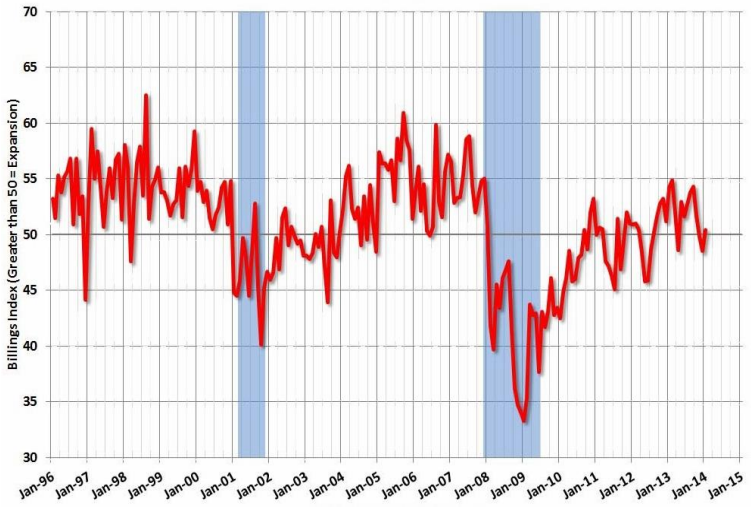
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q1 2014



- In 2013, these combined markets accounted for approx. 59% of total Climate Control sales and 71% of sales of commercial and institutional products.
- Aggregate increase forecast by 2018 is 47%, a slight decline from last quarter.

Climate Control Market Outlook

January 2014 Architectural Billings Index = 50.4



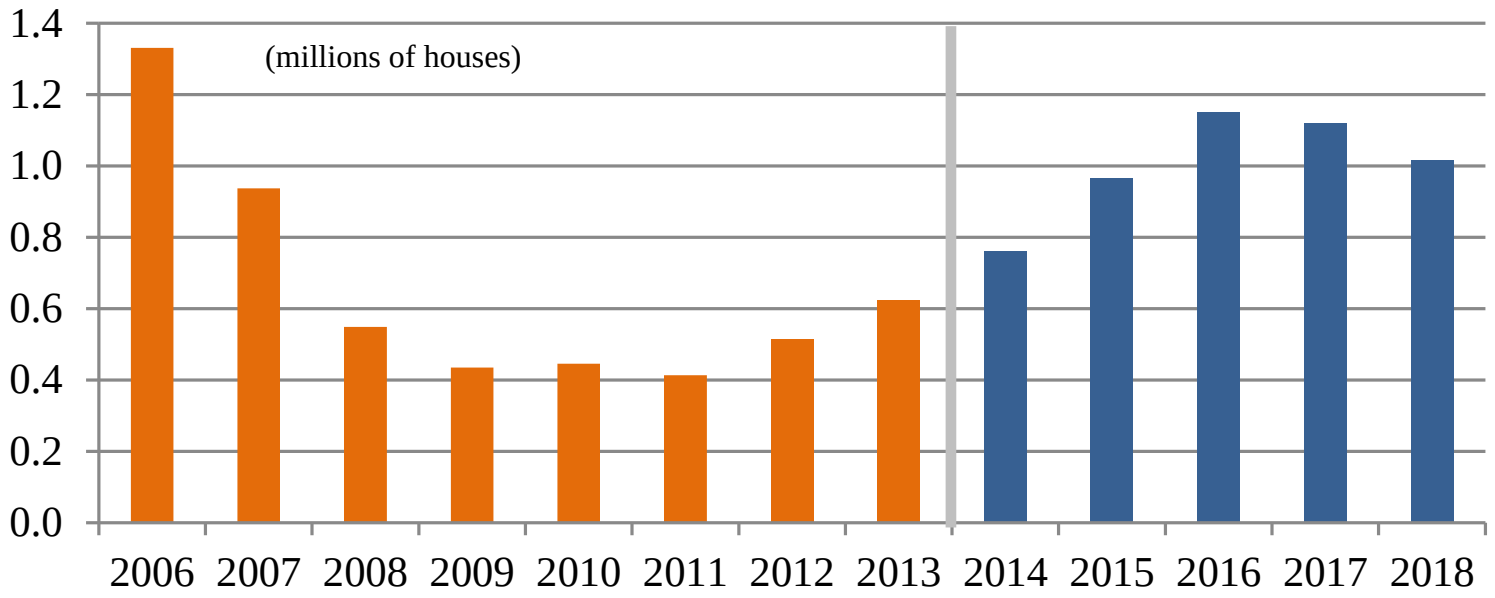
The Architectural Billings Index (ABI), produced by the American Institute of Architects (AIA) Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings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

- **There was a modest uptick in the ABI during January.**
- "There is enough optimism in the marketplace that business conditions should return to steady growth as the year progresses," said AIA Chief Economist Kermit Baker.
- In addition, "…private sector spending should lead the construction upturn this year, which will depend more on employment growth and continued improvement in the overall economy."

Climate Control Market Outlook

Single Family Residential Construction Starts

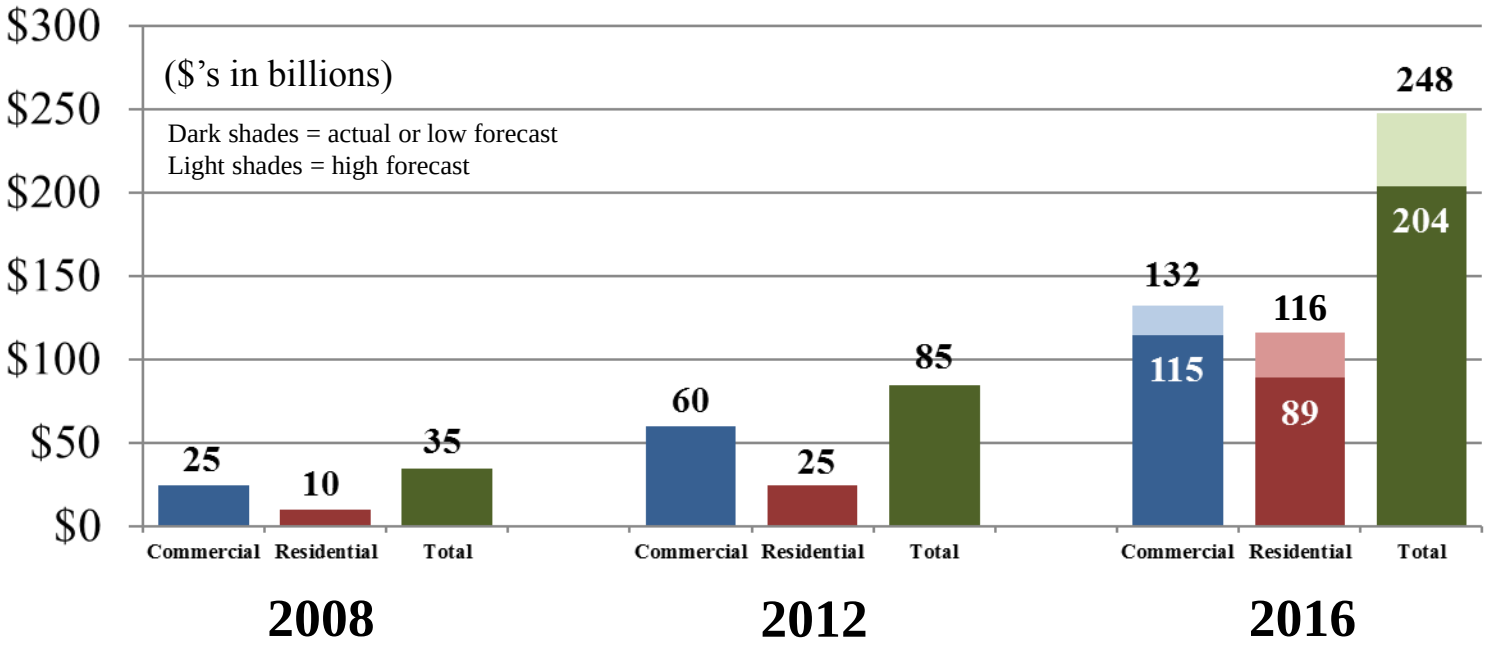
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q1 2014



- Single family residential, all geothermal heat pumps, accounted for approximately 17% of all Climate Control sales during 2013.
- This market is forecast to grow significantly over the next three years, although still below pre-2007 levels.
- 30% Federal tax credits should positively impact sales of geothermal products.

Climate Control Market Outlook

Green Construction Market Forecasted to Grow



- **The total green building market size is forecast to be from $204 billion to $248 billion in 2016.** Source: *2013 Dodge Construction Green Outlook*
- Dodge estimates that in 2016 48% to 55% of new non-residential construction starts and 29% to 38% of residential construction starts (by value) will be green.
- **Energy efficiency and savings continue to be a key drivers for green construction.**

Climate Control
Strategies & Major Initiatives

Strategies

- Focus on product niches: maintain, upgrade and expand current product offerings.
- Continue to develop the market for geothermal products.
- Continue to develop and/or offer products targeted to green construction.
- Develop and/or offer products targeted to new construction, renovation and retrofit construction, and replacement applications.
- Continued focus on operational excellence: LEAN initiatives, customer service, product and service quality, cost reduction.
- Consider selected strategic acquisition opportunities.

Planned Initiatives

- Introduce new products in all categories, with emphasis on product efficiencies and improved digital control systems.
- Reconfiguration of expanded air coil manufacturing facility.
- LEAN and operational excellence initiatives underway for waste reduction, cost savings, quality and process improvements.

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 consults -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.
- **LEAN / Operational Excellence initiatives in our Climate Control Business** to facilitate improved operational metrics and reduce costs.

EBITDA Reconciliations (in millions)

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

LSB Industries, Inc. Consolidated	**Three months ended 12-31**		**Twelve months ended 12-31**	
	2012	**2013**	**2012**	**2013**
Net income (loss)	**$ 11.6**	**$ 37.3**	**$ 58.6**	**$ 55.0**
Plus:				
Interest expense	0.4	7.3	4.2	14.0
Depreciation and amortization	5.8	8.3	20.7	28.4
Provisions for income taxes	6.5	25.5	33.6	35.3
Loss from discontinued operations	0.0	0.1	0.2	0.2
EBITDA per conference call	**$ 24.3**	**$ 78.5**	**$ 117.3**	**$ 132.9**
Climate Control Business				
Operating income (loss)	**$ 5.8**	**$ 6.0**	**$ 25.8**	**$ 30.4**
Plus:				
Equity in earnings of affiliate	0.2	-	0.7	0.4
Depreciation and amortization	0.7	0.8	2.5	2.8
EBITDA per conference call	**$ 6.7**	**$ 6.8**	**$ 29.0**	**$ 33.6**
Chemical Business				
Operating income (loss)	**$ 15.1**	**$ 67.5**	**$ 82.1**	**$ 87.8**
Plus:				
Depreciation and amortization	4.7	7.0	16.3	23.6
EBITDA per conference call	**$ 19.8**	**$ 74.5**	**$ 98.4**	**$ 111.4**

Note: Please refer to the Company's Form 10-K for the year ended December 31, 2013 for discussions concerning significant items that impacted the periods shown above.

LSB INDUSTRIES

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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