

LSB Industries, Inc.

2013 First Quarter Results

May 7, 2013

Jack E. Golsen, Board Chairman and CEO

Barry H. Golsen, President and COO

Tony M. Shelby, Executive Vice President and CFO

Safe Harbor Statement

This presentation and the comments made today contain certain forward-looking statements. All statements other than statements of historical fact are forward-looking statements within the meaning of the Federal Securities law. Statements that include the words expect, intend, plan, believe, project, anticipate, estimate and similar statements of a future or 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 forecasts including those pertaining to commercial, institutional and residential building increases or industry growth and McGraw-Hill forecasts regarding the total green retrofit/renovation market and energy efficiency market.

The forward-looking statements include but are not limited to the following statements: El Dorado should improve its earnings potential with an anhydrous ammonia plant addition; Cherokee production rates are increasing; we expect the Chemical Businesses' results to dramatically improve for the second half of the year; we are optimistic about the balance of 2013 and future years; ongoing negative effect on El Dorado's operating income is estimated to be approximately to be \$1 to \$2 million a month; we will receive additional business interruption recoveries during the remainder of 2013; we expect to receive property damage insurance recoveries; additional plant projects; third party financing; UAN and AN prices; El Dorado's Facility results will improve; planning to build an ammonia plant; increase El Dorado's capacity and lower its production costs; at El Dorado Weatherly 65% nitric acid plant and planned ammonia plant should be operational in 2015.

You should not rely on 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, 2012 and Form 10Q for the period ending March 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 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 measurements. The reconciliation to GAAP and any EBITDA numbers discussed during this conference call are included on the Q1-2013 conference call presentation which is posted on our website.

Overview

- The first quarter of 2013 was the most unusual quarter in our history. Our two most profitable chemical facilities were out of operation during the entire quarter. Because of this, any comparison of operating results to prior quarters is not relevant.
- Consolidated net sales for Q1 2013 were \$150.7 million, 21% below the \$190.2 million reported in Q1 2012, with a \$46.7 million decline in our Chemical Business and a \$7.5 million increase in our Climate Control Business.
- Operating results for Q1 2013 were a loss of \$237,000, \$23.3 million less than Q1 2012, and reflects the downtime at our Pryor, OK and Cherokee, AL chemical facilities and lower volume at our El Dorado, AR chemical facility, partially offset by improved operating income from our Climate Control Business.
- All operations at El Dorado have returned to service with the exception of the DSN plant, which will be replaced by a new regular 65% nitric acid plant and a concentrator.
- Pryor returned to production in April 2013 and Cherokee returned to production in May 2013.
- Intensified plant reliability programs are underway.
- We are planning a new ammonia plant for El Dorado, subject to certain conditions.
- The outlook for the Chemical Business indicates positive supply and demand fundamentals for the types of nitrogen fertilizers we produce.
- Generally, the outlook for our Climate Control Business is for moderate sales growth although some of the markets we serve remain soft.

LSB Consolidated Financial Results

First Quarter Highlights

<i>\$'s in millions except per share amounts</i>	Three Months Ended Mar. 31,		
	2012	2013	Change
Net Sales	\$190.2	\$150.7	-\$39.6
Operating Income (Loss)	\$23.1	-\$0.2	-\$23.3
% of net sales	12%	0%	-12%
Net Income (Loss)	\$14.3	-\$0.1	-\$14.4
% of net sales	8%	0%	-8%
Diluted EPS	\$0.61	-\$0.02	-\$0.63
Cash Flow Provided (Used) by Operations	\$11.1	-\$20.1	-\$31.2
EBITDA	\$28.3	\$6.5	-\$21.8
Cash, Restricted Cash and Short-Term Investments as of 3-31,	\$123.4	\$68.8	-\$54.6

- Sales down 21%
- Operating loss in 2013
- EPS = (\$0.02)
- EBITDA = \$6.5 million
- TTM EBITDA = \$95.5 million

Chemical Business

First Quarter Highlights

<i>\$'s in millions</i>	Three Months Ended Mar. 31,		
	2012	2013	Change
Net Sales	\$124.2	\$77.5	-\$46.7
Gross Profit	\$24.0	\$2.4	-\$21.6
% of net sales	19%	3%	-16%
Operating Income (Loss)	\$20.3	-\$3.8	-\$24.2
% of net sales	16%	-5%	-21%
EBITDA	\$24.3	\$1.6	-\$22.7
Capital Expenditures	\$12.1	\$41.4	\$29.3

- Lower sales, gross profits, operating income and EBITDA were due to downtime at our Pryor, OK and Cherokee, AL facilities and lower production levels at our El Dorado, AR facility.
- Pryor and Cherokee have returned to production.

Climate Control Business

First Quarter Highlights

<i>\$'s in millions</i>	Three Months Ended Mar. 31,		
	2012	2013	Change
Net Sales	\$62.8	\$70.3	\$7.5
Gross Profit	\$19.4	\$22.0	\$2.5
% of net sales	31%	31%	0%
Operating Income	\$5.8	\$6.4	\$0.5
% of net sales	9%	9%	0%
EBITDA	\$6.6	\$7.2	\$0.6
Capital Expenditures	\$1.0	\$2.8	\$1.8

- Sales were 12% above Q1 2012.
- Sales in all product categories increased.
- Gross profit, gross margin, operating income and EBITDA increased primarily as a result of increased sales volume.

Solid Financial Position

<i>\$ in millions</i>	December 31, 2012	March 31, 2013
Cash (including restricted cash)	\$98.1	\$68.8
Total Debt (interest bearing)	\$72.4	\$105.8 (A)
Stockholders' Equity	\$354.5	\$354.9
Total Capitalization	\$426.9	\$460.7
Interest Coverage Ratio	27.7x	8.9x

(A) As of March 31, 2013, total debt consisted of a \$67.5 million secured term loan due in March 2016, a \$34.5 million secured promissory note due in February 2016 and \$3.8 million of equipment loans and capital leases. Our availability under the \$50.0 million working capital revolver loan was \$48.4 million.

Where Our Products Go

Q1 2013 Sales Mix (NOT TYPICAL due to downtime at Cherokee and Pryor facilities)



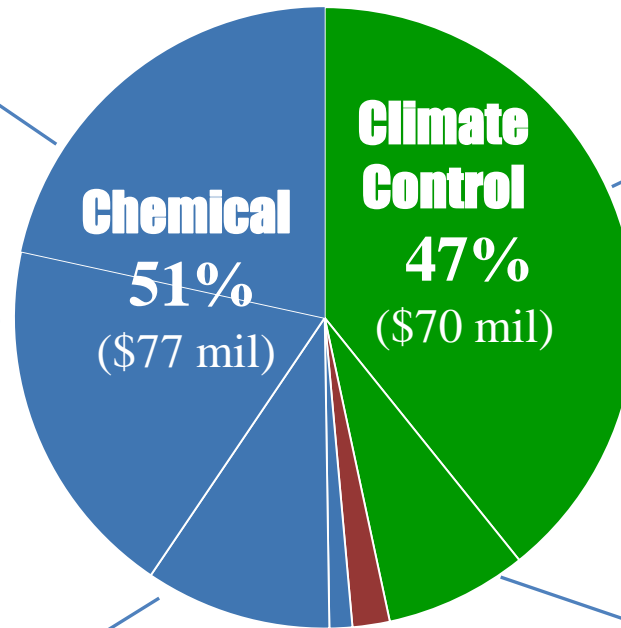
21% Agriculture



19% Industrial
Acids & Ammonia



10 % Mining



39% Commercial
& Institutional
Buildings



8% Single-family
Residential

Where Our Products Go

2012 Full Year Sales Mix

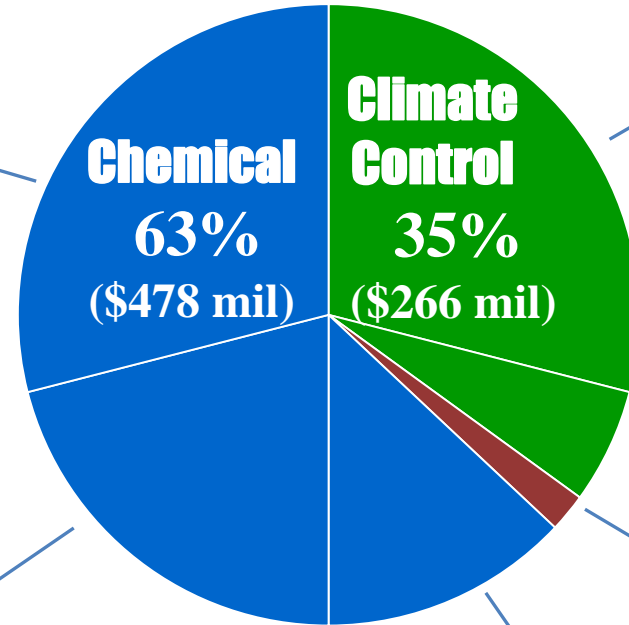


29% Agriculture



**21% Industrial
Acids & Ammonia**

**13%
Mining**



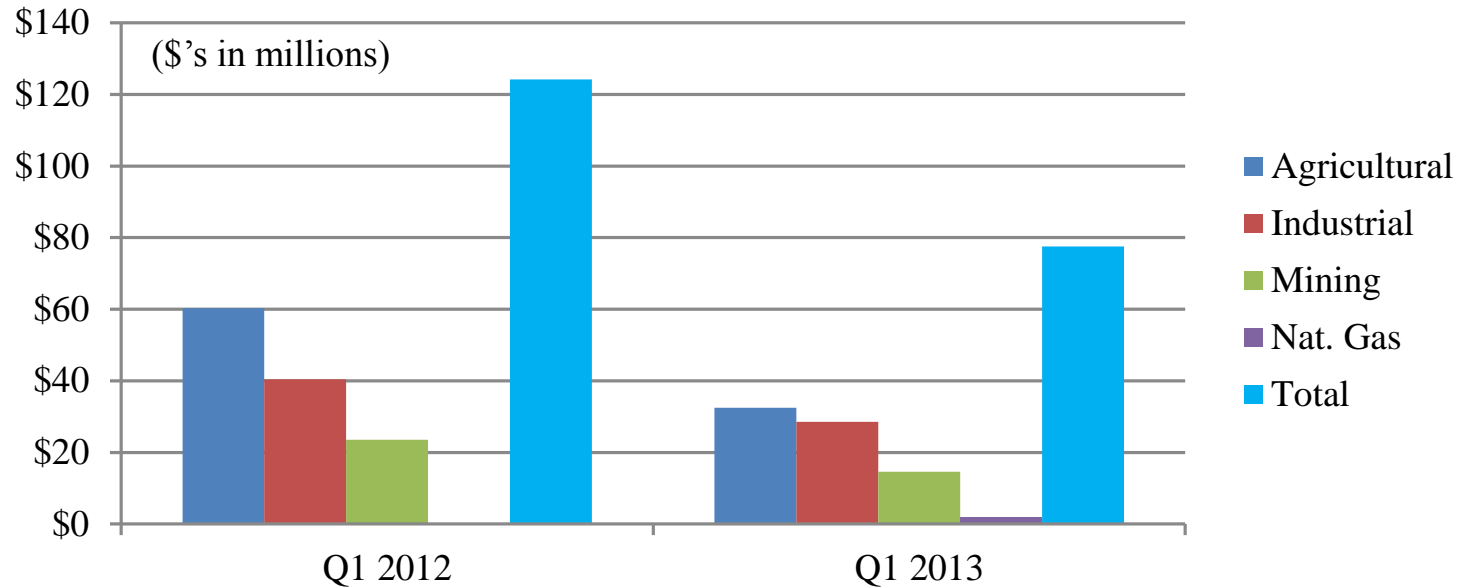
**29% Commercial
& Institutional
Buildings**



**6% Single-family
Residential**

**Engineered Products
& Other 2%**

Chemical Sales

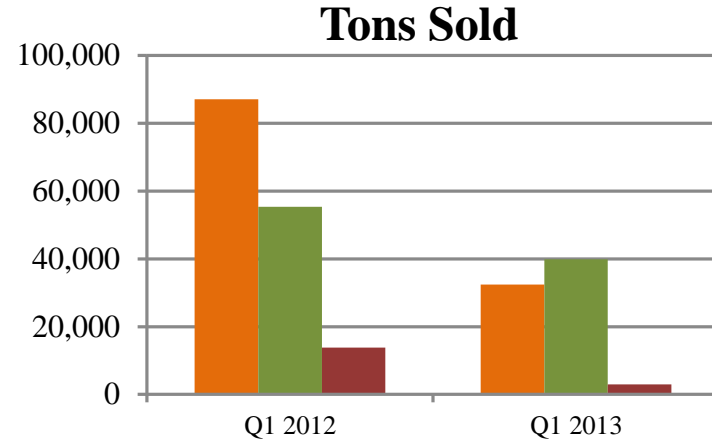
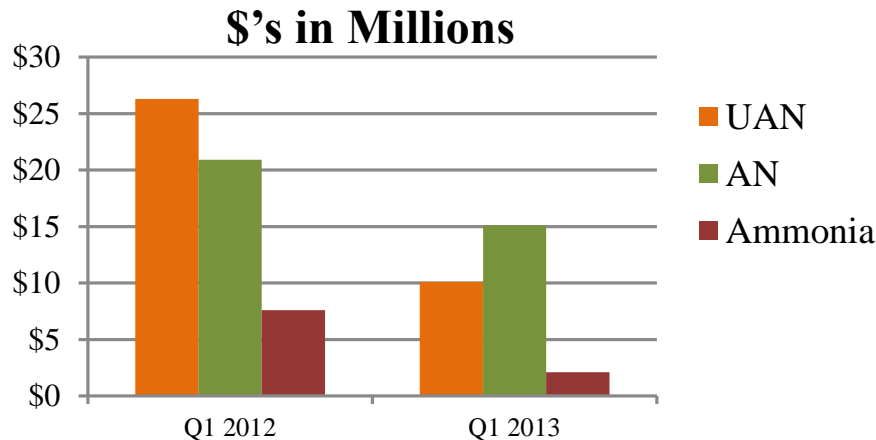


Changes from 2012 to 2013	Agricultural Products	Industrial Acids	Mining Products	Natural Gas	Total
First Quarter	-46%	-29%	-38%	n/a	-38%

- Sales were down for most chemical products due to downtime at our production facilities and lower demand for mining products.

Chemical Key Product Sales

Agricultural

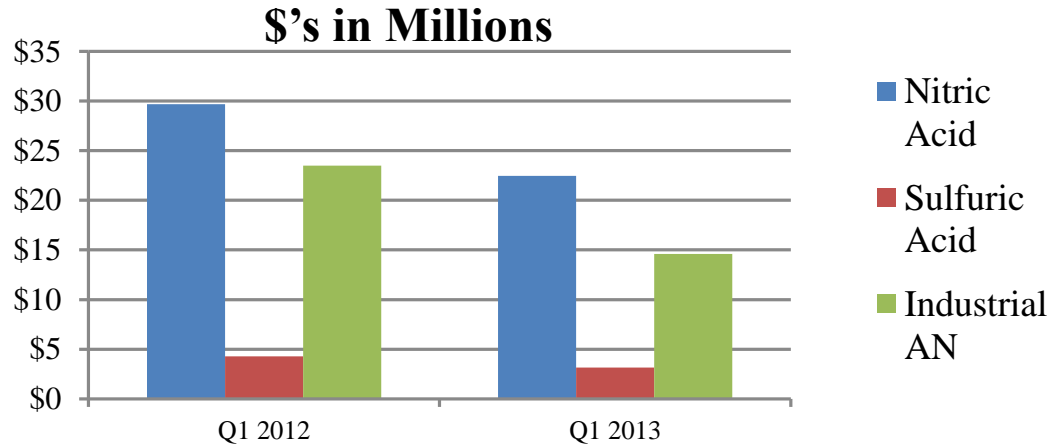


Changes from 2012 to 2013	UAN		AN		Ammonia	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
First Quarter	-62%	-63%	-28%	-28%	-73%	-78%

- UAN and Ammonia tons sold decreased in Q1 2013 vs. Q1 2012 as a result of downtime at Cherokee and Pryor.
- AN sales decreased in Q1 2013 vs. Q1 2012 due to varied seasonality. The 2012 spring planting season began unusually early, whereas the 2013 season began late.

Chemical Key Product Sales

Industrial Acids & Mining

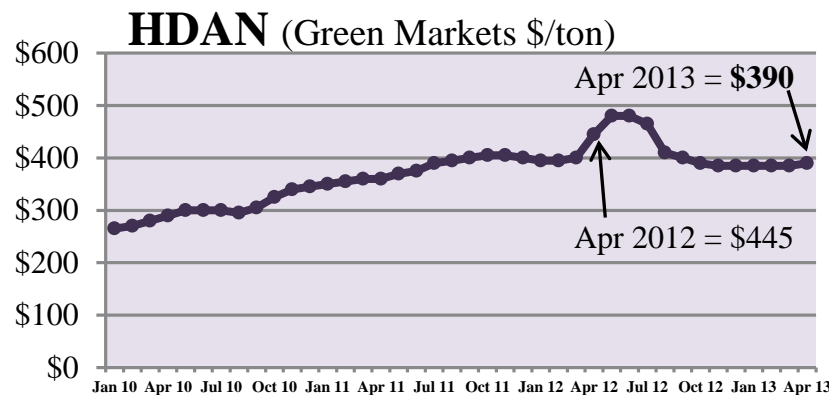
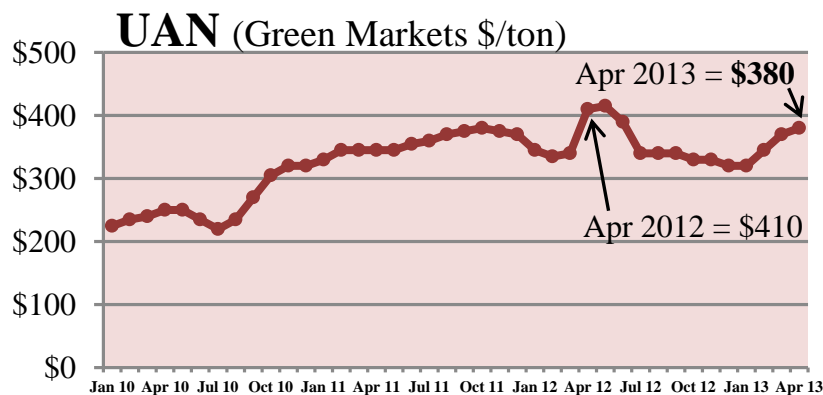
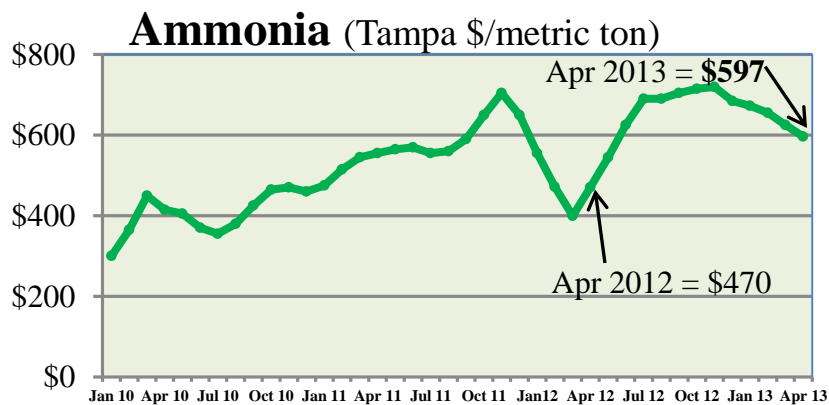
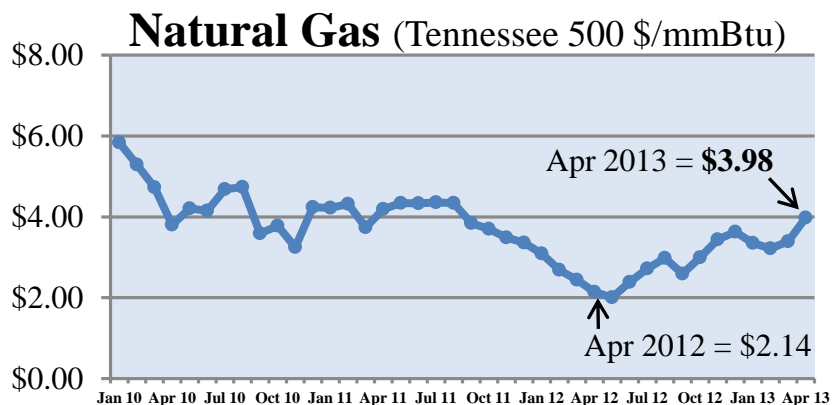


Changes from 2012 to 2013	Nitric Acid		Sulfuric Acid		Industrial AN	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
First Quarter	-24%	-41%	-27%	-18%	-38%	-65%

- Nitric acid decreased due to planned maintenance turnaround at the Baytown, TX facility during Q1 2013 and lower strong nitric acid sales.
- Sulfuric acid was lower as a result of lower demand.
- Industrial AN decreased as a result of downtime at Cherokee and lower demand for mining products.

Chemical Commodity Prices

Feedstocks & End Products



Chemical Market Outlook

Agricultural

Favorable Indicators:

- ✓ Grain stock-to-use ratios low
(Source: USDA WASDE report, 04-10-13 for crop year 2012/13)
 - US Corn = 6.4%
 - World Corn = 12.7%
 - World Wheat = 21.3%
- ✓ Planting levels expected to be high
- ✓ Crop prices high
- ✓ Fertilizer demand up
- ✓ Natural gas feedstock cost low

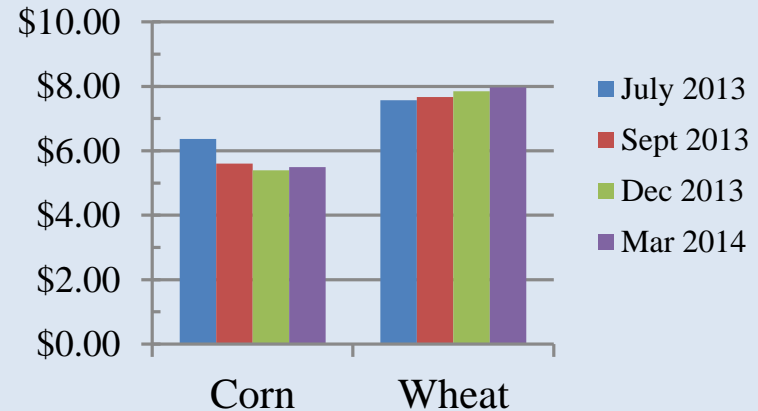
Fertilizer Prices:

- ✓ Lower than a year ago but relatively high

Wild Cards:

- Weather conditions: delayed spring season
- Ethanol production

Forward Crop Prices / Bushel



Sources:

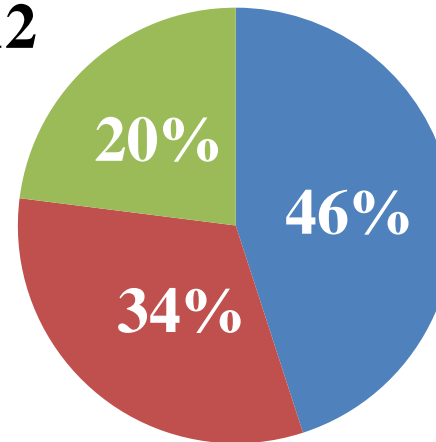
Corn: Chicago Board of Trade 05-06-13 close
Wheat: Kansas City Board of Trade 05-06-13 close

Chemical Market Outlook

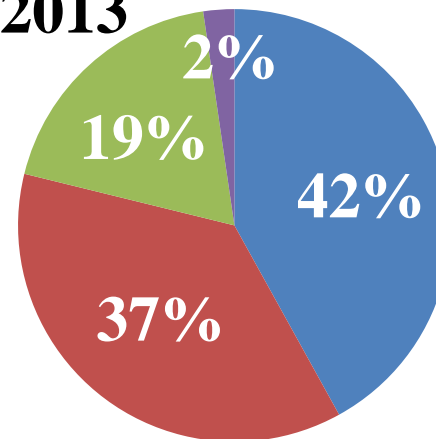
Industrial & Mining Sales by Sector

- 54% of our Chemical Sales during 2012 were industrial and mining products used in North America.
- Most industrial and mining sales are contractual with *cost plus* and/or *minimum take* provisions.
- Industrial and mining sales are expected to be a lower percentage of total sales until the new acid plant is rebuilt in El Dorado.

2012



Q1 2013



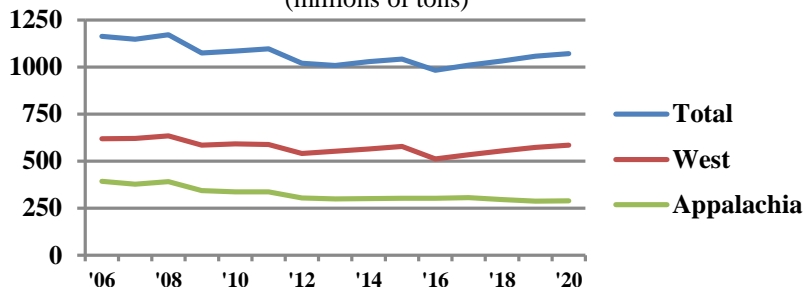
- Agricultural Products
- Industrial Acids & Ammonia
- Mining Products
- Natural Gas

Chemical Market Outlook: Industrial & Mining

Coal Production Projections

Source: Dept. of Energy – Energy Information Agcy.

2013 Annual Energy Outlook Early Release & Short-Term Energy Outlook
(millions of tons)

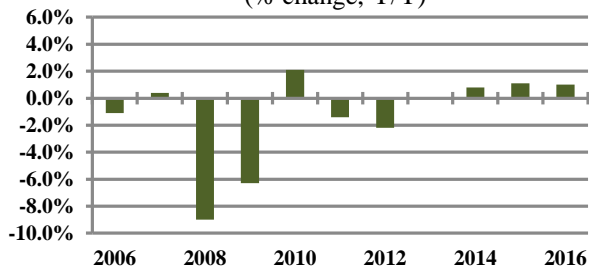


Coal – AN and AN solution is used for surface mining. Ammonia is used for NOx abatement. In 2011, coal accounted for 42% of electricity generation.

U.S. Paper Production

Source: American Chemistry Council

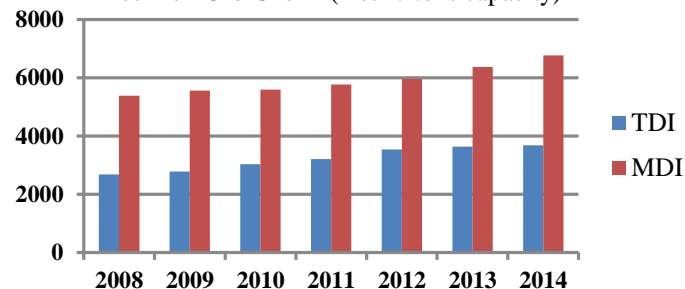
Year End 2012 Situation & Outlook
(% change, Y/Y)



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.

Polyurethane Intermediates Global Production Capacity Growth Trend

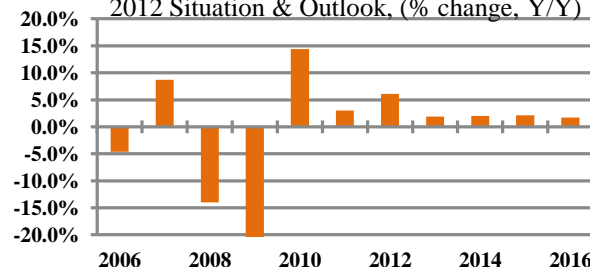
Source: Transparency Market Research
Technon OrbiChem (metric tons capacity)



Polyurethane - Baytown produces nitric acid used to make *polyurethane intermediates*. TDI is used for flexible foams and MDI for rigid foams. MDI & TDI global volume growth is expected to be 5.5% and 4.8% per year through, respectively, through 2016.

Basic Chemicals: Inorganics

Source: American Chemistry Council, Year End
2012 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 recovery in 2010 and a good year in 2012, the sector is expected to grow 1.5% to 2% per year.

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
 - Planning construction of ammonia plant – estimated completion during 2015
- **Cherokee Nitrogen** (Cherokee, AL)
 - Resumed production in May 2013
 - Currently increasing production rates
- **Pryor Chemical** (Pryor, OK)
 - Resumed production in April 2013
 - Operating at near design production levels
- **El Dorado Nitric** (Baytown, TX)
 - Operating at optimum performance levels

Chemical

Strategies & Major Initiatives

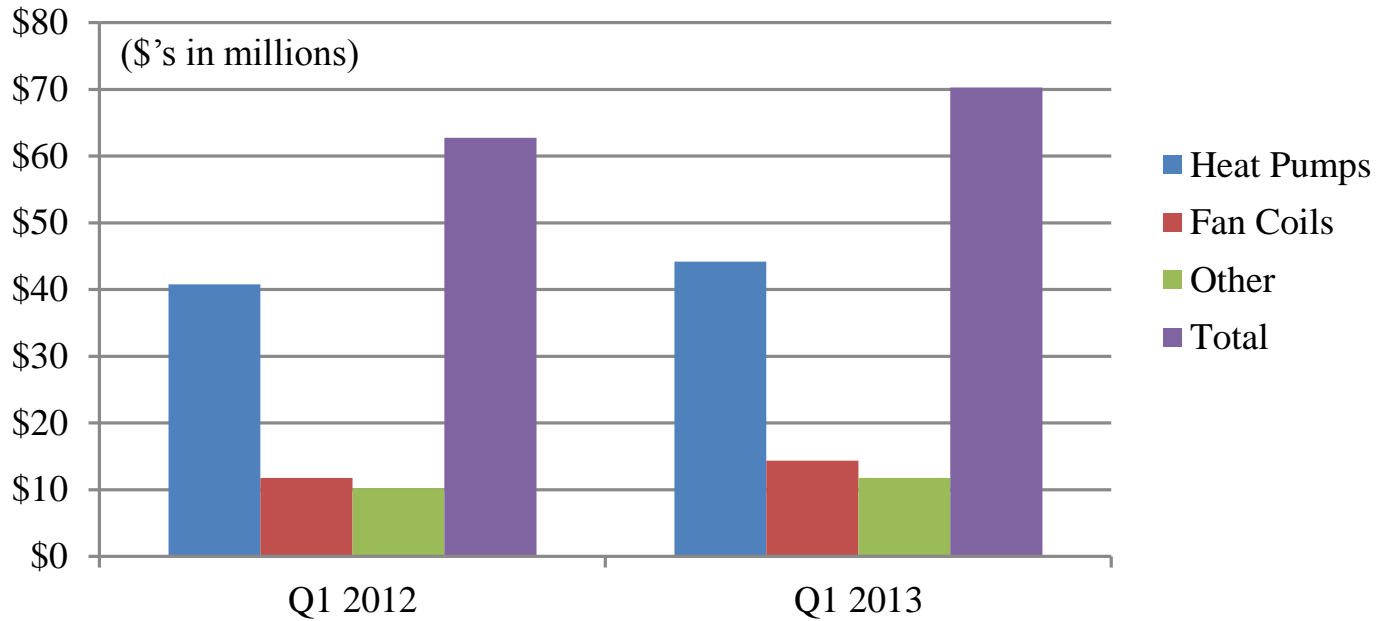
Strategies

- 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.
- Planned addition of ammonia plant at El Dorado facility.
- Other major capital projects (other than maintenance projects): NOX abatement; Cherokee and Pryor electrical, control system and equipment safety upgrades.

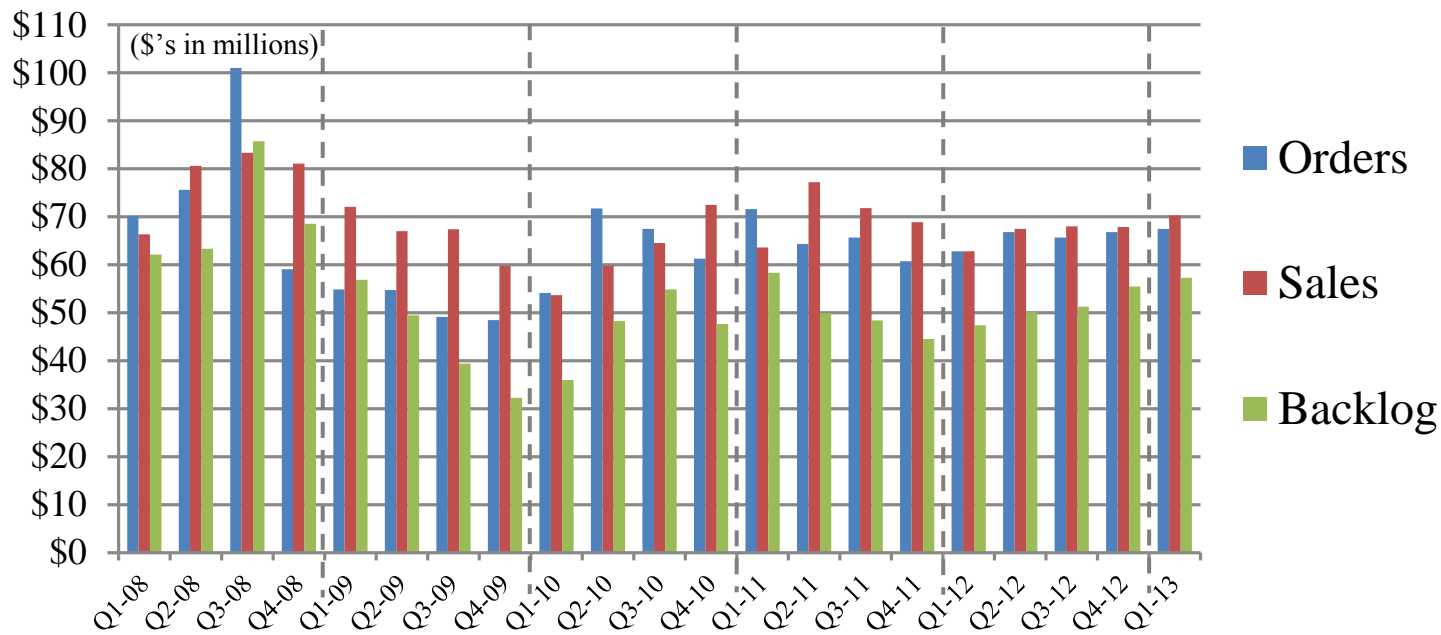
Climate Control Sales



Changes from 2012 to 2013	Heat Pumps	Fan Coils	Other	Total
First Quarter	8%	22%	15%	12%

- Sales in all product categories were up in Q1 2013 vs. Q1 2012.

Climate Control Orders, Sales & Backlog

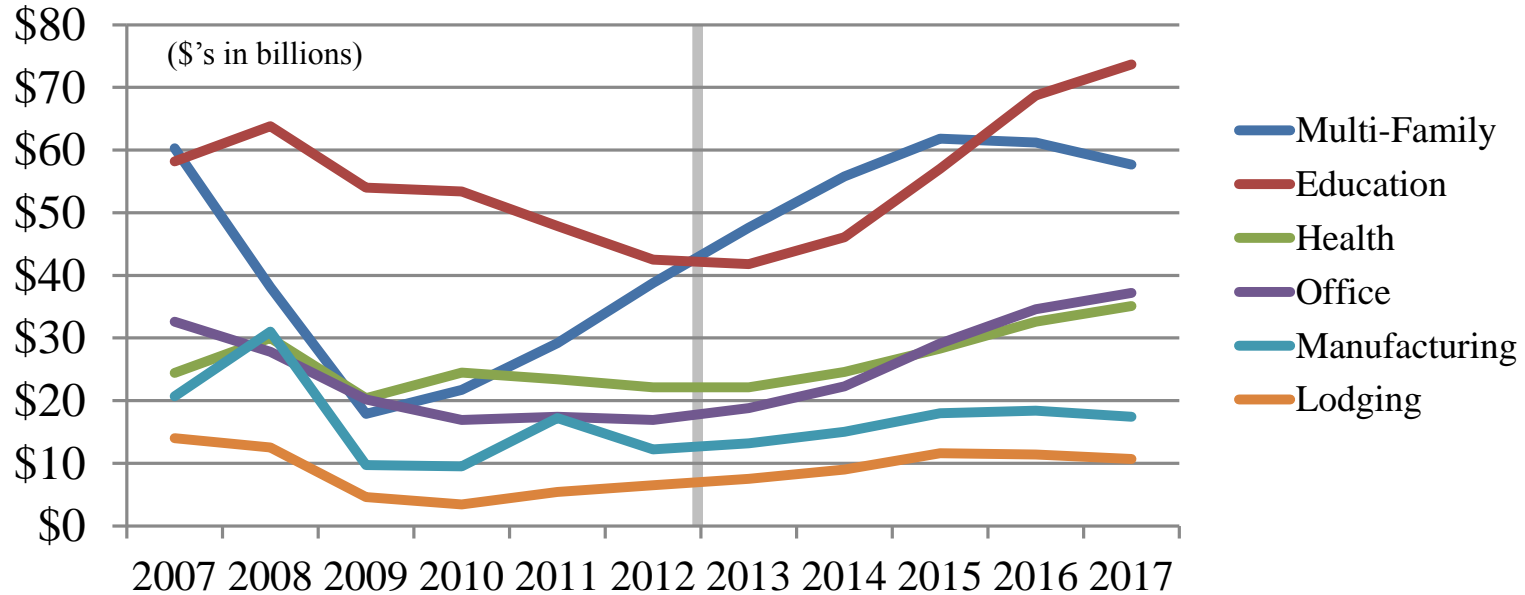


Changes from Q1 2012 to Q1 2013	Commercial & Institutional	Single Family Residential	Total
New Orders	6%	12%	7%
Sales	19%	-15%	12%
Ending Backlog at 3-31	16%	142%	21%

Climate Control Market Outlook

Commercial & Institutional Construction Awards

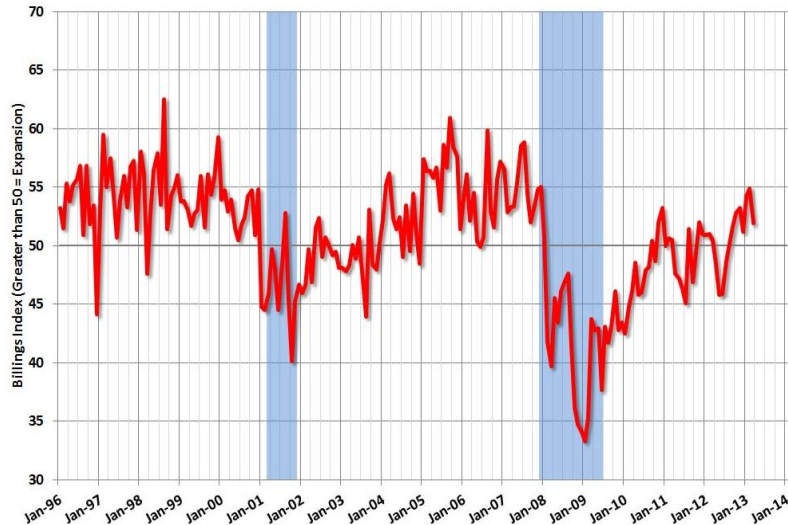
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q2 2013



- In 2012 these combined markets accounted for approx. 63% of total Climate Control sales and 77% of sales of commercial and institutional products.
- Aggregate increase forecast by 2017 is 67%.

Climate Control Market Outlook

March 2013 Architectural Billings Index = **51.9**



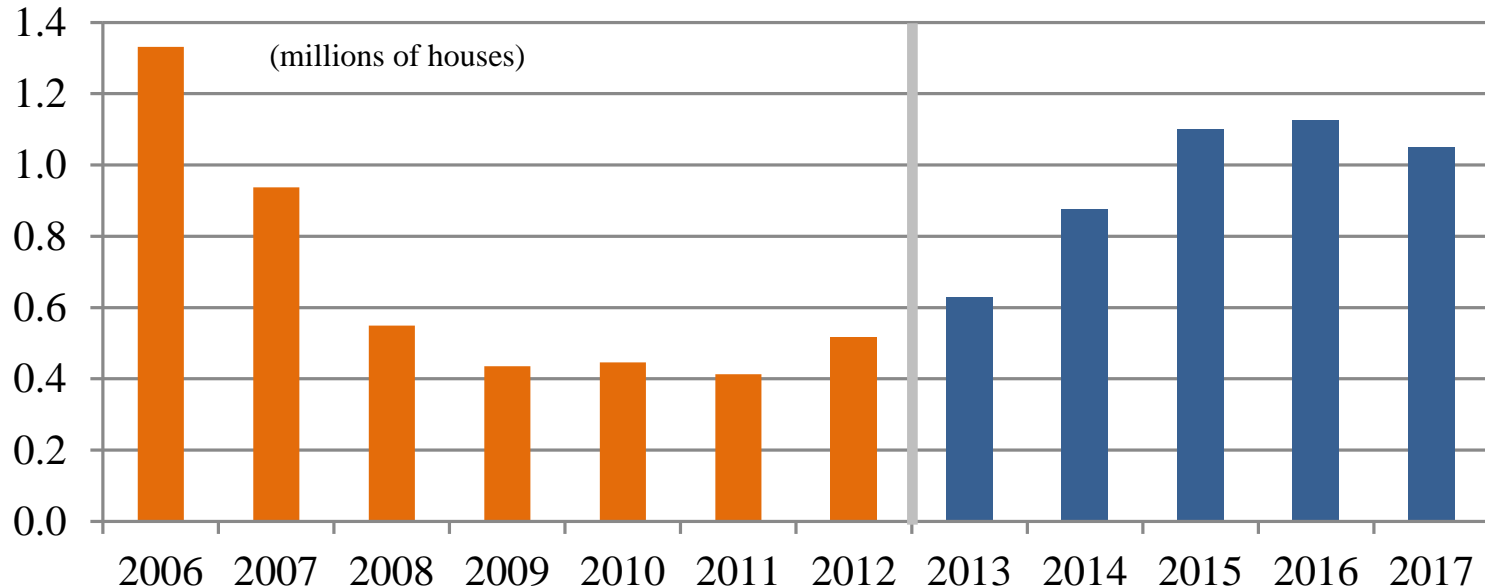
The Architectural Billings Index (ABI), produced by the American Institute of Architects (AIA) Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings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

- **The March ABI was the eighth straight month forecasting growth.**
- **“Business conditions in the construction industry have generally been improving over the last several months,”** said AIA Chief Economist, Kermit Baker. **“But as we have continued to report, the recovery has been uneven across the major construction sectors so it’s not a big surprise that there was some easing in the pace of growth in March compared to previous months.”**
- Every building sector is now expanding and new project inquiries are strongly positive (down from February, but still at 60.1). Note: This includes commercial and industrial facilities like hotels and office buildings, multi-family residential, as well as schools, hospitals and other institutions.

Climate Control Market Outlook

Single Family Residential Construction Starts

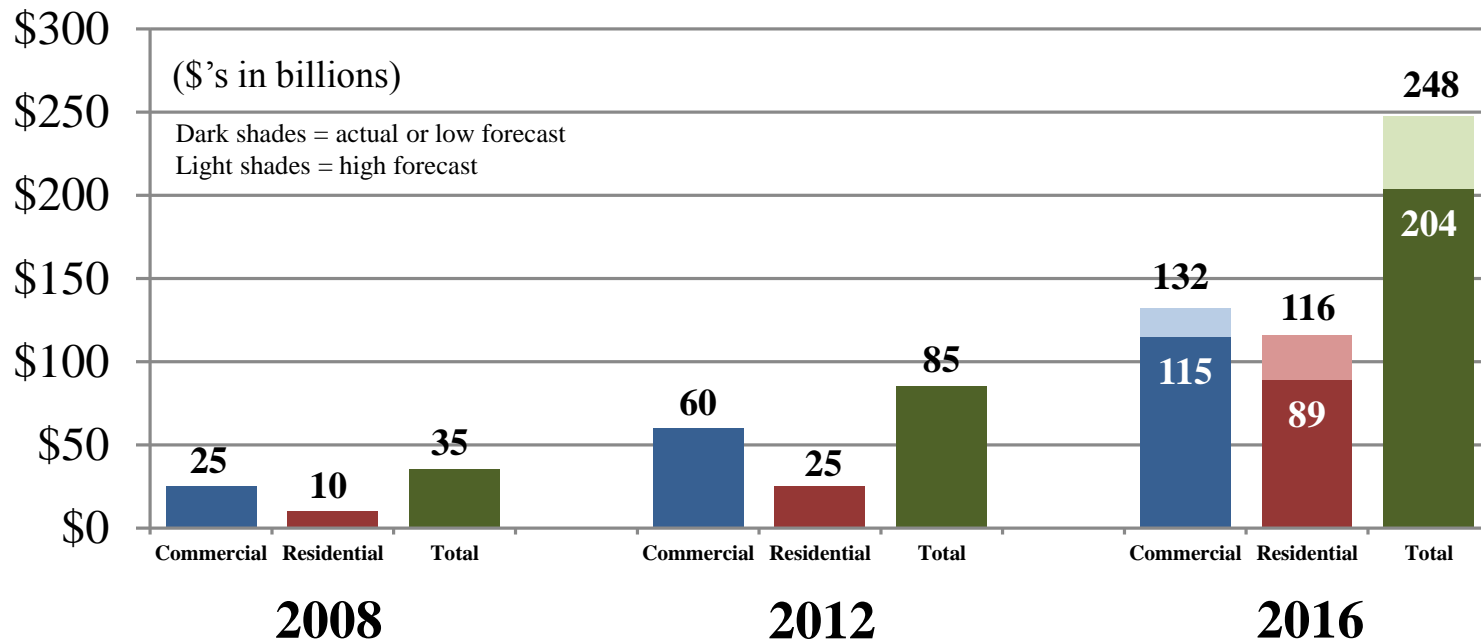
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q2 2013



- Single family residential, all geothermal heat pumps, accounted for approximately 18% of all Climate Control sales during 2012.
- From 2012 through 2017 this market is forecast to increase 103%.
- 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.
- Major capital projects: complete expansion of air coil manufacturing facility; complete expansion of fan coil new product test lab facility.
- LEAN initiatives underway for waste reduction, cost savings, quality and process improvements.

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 3-31		Trailing twelve
	2012	2013	months ended 3-31 2013
Net income (loss)	\$ 14.3	\$ (0.1)	\$ 44.2
Plus:			
Interest expense	1.1	0.7	3.8
Depreciation and amortization	5.1	6.6	22.3
Provisions for income taxes	7.8	(0.7)	25.0
Loss from discontinued operations	0.0	0.0	0.2
EBITDA per conference call	\$ 28.3	\$ 6.5	\$ 95.5
Climate Control Business			
Operating income	\$ 5.8	\$ 6.4	
Plus:			
Equity in earnings of affiliate	0.2	0.2	
Depreciation and amortization	0.6	0.6	
EBITDA per conference call	\$ 6.6	\$ 7.2	
Chemical Business			
Operating income (loss)	\$ 20.3	\$ (3.8)	
Plus:			
Depreciation and amortization	4.0	5.4	
EBITDA per conference call	\$ 24.3	\$ 1.6	

Note: Please refer to the Company's Form 10-K for the year ended December 31, 2012 and Form 10-Q for the three months ended March 31, 2013 for discussions concerning significant items that impacted the periods shown above.



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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