

LSB Industries, Inc.

2012 Second Quarter Results

August 8, 2012

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 being 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.

The forward-looking statements include but are not limited to the following statements: we expect production at Pryor to be below targeted rates until we replace the converter in the main ammonia plant and make certain other modifications; we expect these modifications to be completed early in 2013; the sulfuric acid plant repairs are expected to occur during the fourth quarter of 2012; we believe the outlook for LSB for the balance of 2012 and forward for 2013 is positive; we have substantially more potential to develop the company; until we replace the approximately 20% of El Dorado's acid capacity, El Dorado's future earnings will be adversely affected; conventional wisdom is that natural gas will remain low for some time; outlook for the Chemical markets we serve are favorable; positive fundamentals of the Ag business should continue; the drought should have little or no effect on demand for our products during the third quarter; we expect increased ammonia production at Pryor by the end of the year; we plan to install a single larger and more current design Kellogg converter early in 2013; measures should allow us to achieve our targeted ammonia production rates at Pryor; plan is to install the larger converter next to the old ones while they are running and have a quick cutover, with minimal disruption of production; the new acid plant and a concentrator will take at least two years to fabricate and install. 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, 2011 and Forms 10Q for the periods ending March 31, 2012 and June 30, 2012. 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. We will post on our website reconciliation to GAAP of any EBITDA numbers discussed during this conference call.

Overview

- Consolidated Q2 and H1 results were lower than Q2 and H1 in 2011. (Q2 2011 included an \$8.6 million business interruption insurance recovery, equating to \$0.23 per share.)
- Production and sales from both our Pryor, OK and El Dorado, AR facilities were impacted severely by downtime at Pryor and the explosion and subsequent downtime at El Dorado.
- Repairs at Pryor were completed in July. However, we expect production to be below our target rate until we replace an ammonia converter and make other modifications in early 2013.
- Repairs at El Dorado are underway and substantial progress has been made.
- A new nitric acid plant will replace the destroyed plant. This project will take at least two years to complete.
- The outlook for the agricultural sector continues to be positive.
- Sales were down in our Climate Control Business, as a result of persistent softness in the markets we serve, which we expect to continue in the near-term.

LSB Consolidated Financial Results

Second Quarter & Six Month Highlights

<i>\$ in millions except per share amounts</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2012	Change	2011	2012	Change
Net Sales	\$235.6	\$209.3	-\$26.3	\$413.1	\$399.5	-\$13.6
Operating Income	\$48.3	\$42.3	-\$6.0	\$82.3	\$65.4	-\$16.9
% of net sales	20.5%	20.2%	-0.3%	19.9%	16.4%	-3.5%
Net Income	\$28.6	\$26.0	-\$2.6	\$49.5	\$40.3	-\$9.2
% of net sales	12.1%	12.4%	0.3%	12.0%	10.1%	-1.9%
Diluted EPS	\$1.22	\$1.11	-\$0.11	\$2.12	\$1.72	-\$0.40
Cash Flow Provided by Operations	\$24.8	\$45.4	\$20.6	\$41.2	\$56.5	\$15.3
EBITDA	\$52.6	\$47.8	-\$4.8	\$91.6	\$76.1	-\$15.5
Cash, Restricted Cash and Short-Term Investments as of 6-30,	\$116.1	\$148.9	\$32.8	\$116.1	\$148.9	\$32.8

Second Quarter:

- Sales down 11%
- Operating income down 12%
- EPS = \$1.11, down 9%
- EBITDA = \$47.8 million
- TTM EBITDA = \$140.2 million

Six Months:

- Sales down 3%
- Operating income down 21%
- EPS = \$1.72, down 19%
- EBITDA = \$76.1 million

Chemical Business

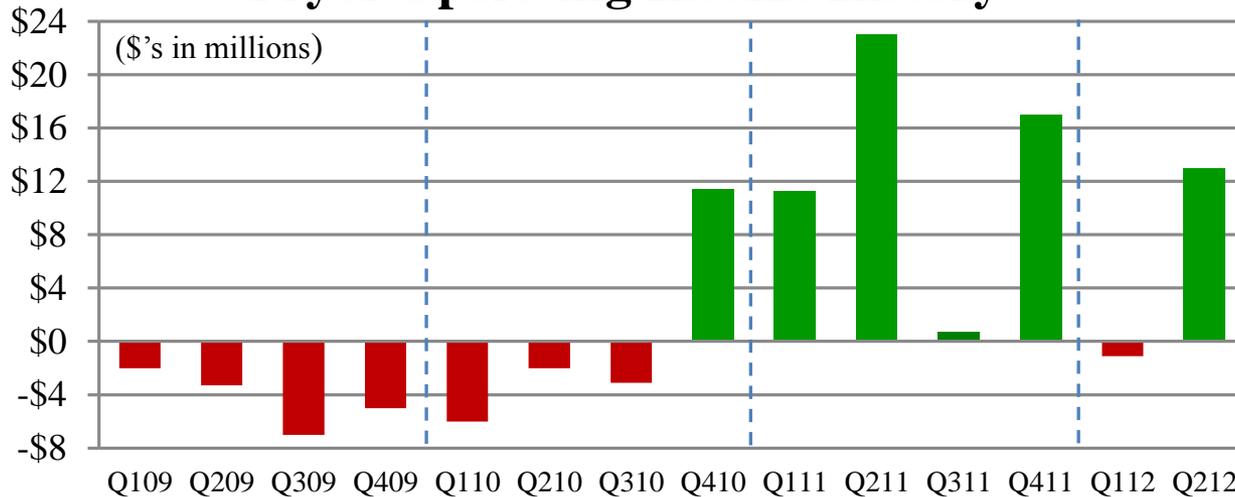
Second Quarter & Six Month Highlights

<i>\$ in millions</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2012	Change	2011	2012	Change
Net Sales	\$155.6	\$138.1	-\$17.5	\$267.1	\$262.3	-\$4.8
Gross Profit	\$47.6	\$43.5	-\$4.1	\$79.1	\$67.5	-\$11.6
% of net sales	30.6%	31.5%	0.9%	29.6%	25.7%	-3.9%
Operating Income	\$42.7	\$39.1	-\$3.6	\$71.8	\$59.5	-\$12.3
% of net sales	27.4%	28.3%	0.9%	26.9%	22.7%	-4.2%
EBITDA	\$46.3	\$43.1	-\$3.2	\$78.9	\$67.5	-\$11.4
Capital Expenditures	\$5.8	\$15.6	\$9.8	\$9.1	\$27.8	\$18.7

- Agricultural sales up / Industrial & Mining sales down in Q2 2012 vs. Q2 2011.
- Q2 2012 gross profit and operating income decreased compared to 2011, primarily as a result of unplanned downtime at our Pryor and El Dorado facilities.
- Q2 2011 operating income included an \$8.6 million business interruption insurance recovery.

Pryor Chemical Co. Transition

Pryor Operating Income History



- \$13.0 million operating income in Q2 2012 vs. \$23.0 million income in Q2 2011 (including \$8.6 million insurance recovery).
- Q2 2012 UAN production was interrupted by unplanned downtime to repair urea reactor. Approximately 70,000 tons of potential UAN sales not realized.
- Lost UAN production was partially offset by anhydrous ammonia production and sales during Q2 2012.
- Unplanned downtime at Pryor in Q2 2012 reduced operating income by an estimated \$10.0 million, including lost absorption and gross profit margins.

Climate Control Business

Second Quarter & Six Month Highlights

<i>\$ in millions</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2012	Change	2011	2012	Change
Net Sales	\$77.2	\$67.5	-\$9.7	\$140.8	\$130.3	-\$10.5
Gross Profit	\$23.4	\$21.0	-\$2.4	\$44.9	\$40.4	-\$4.5
% of net sales	30.3%	31.1%	0.8%	31.9%	31.0%	-0.9%
Operating Income	\$9.2	\$7.3	-\$1.9	\$17.6	\$13.2	-\$4.4
% of net sales	11.9%	10.8%	-1.1%	12.5%	10.1%	-2.4%
EBITDA	\$9.7	\$8.0	-\$1.7	\$18.9	\$14.7	-\$4.2
Capital Expenditures	\$1.9	\$0.9	-\$1.0	\$3.2	\$2.0	-\$1.2

- Sales were lower than Q2 2011. Sales of all products were down except custom air handlers.
- Q2 2012 Gross profit and operating income decreased primarily as a result of lower sales, partially offset by higher margins due, in part, to lower costs for certain raw materials.

Solid Financial Position

We Continue to Improve our Balance Sheet

<i>\$ in millions</i>	December 31, 2011	June 30, 2012
Cash (including restricted cash and short term investments)	\$135.0	\$148.9
Total Debt (interest bearing)	\$79.5	74.8 (A)
Cash in Excess of Debt	\$55.5	\$74.1
Stockholders' Equity	\$293.3	\$334.7
Total Capitalization	\$372.8	\$409.5
Interest Coverage Ratio	23.2x	32.9x

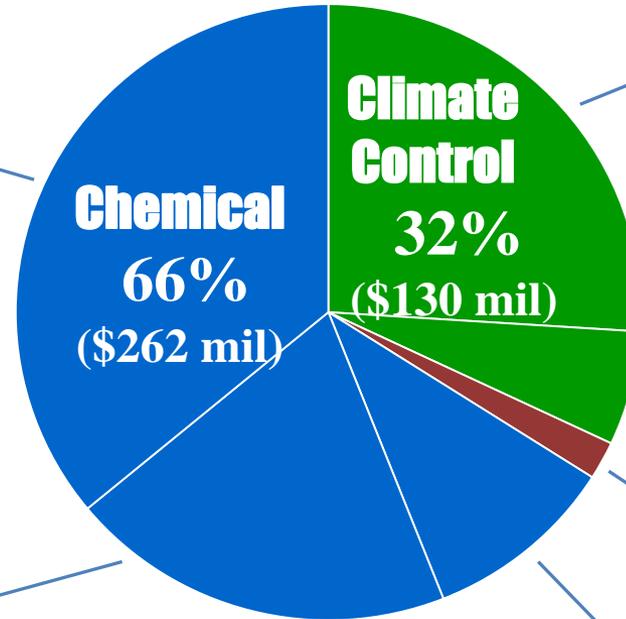
(A) As of June 30, 2012, total debt consisted of a \$70.3 million secured term loan due in March 2016 and \$4.5 million of equipment loans and capital leases. Our availability under the \$50.0 million working capital revolver loan is \$48.6 million.

Where Our Products Go

2012 First Six Months Sales Mix



36% Agriculture



26% Commercial & Institutional Buildings



6% Single-family Residential

Engineered Products & Other 2%

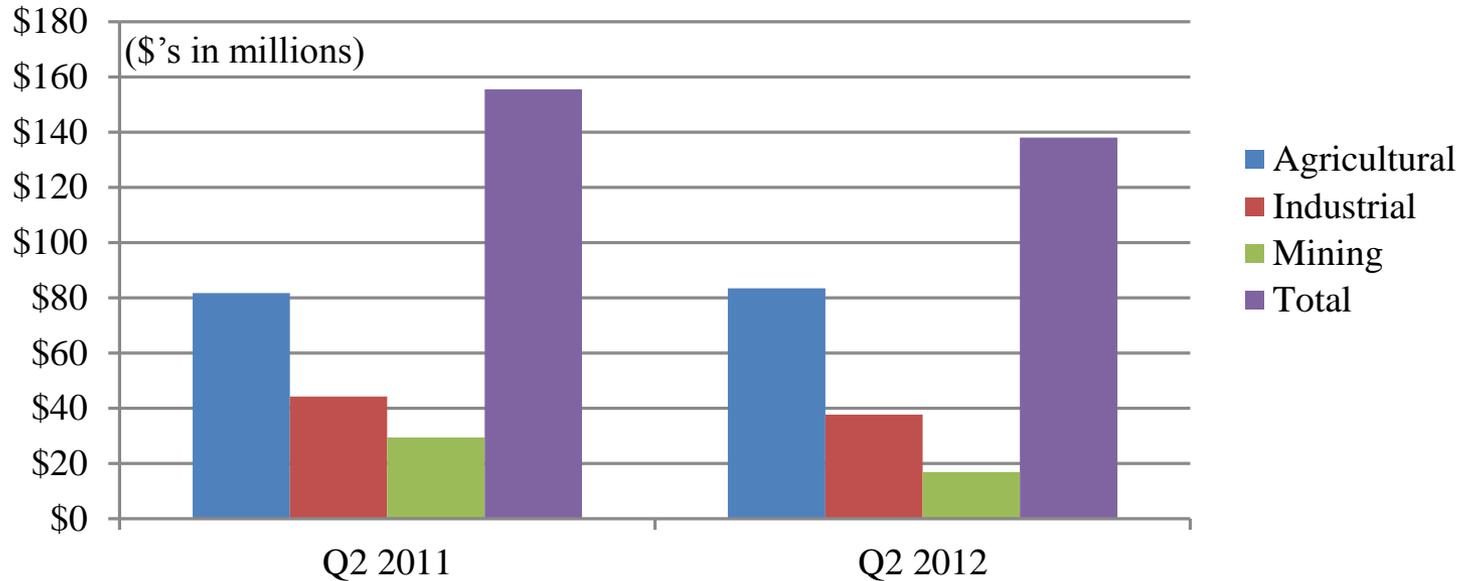


20% Industrial Acids & Ammonia

10% Mining



Chemical Sales

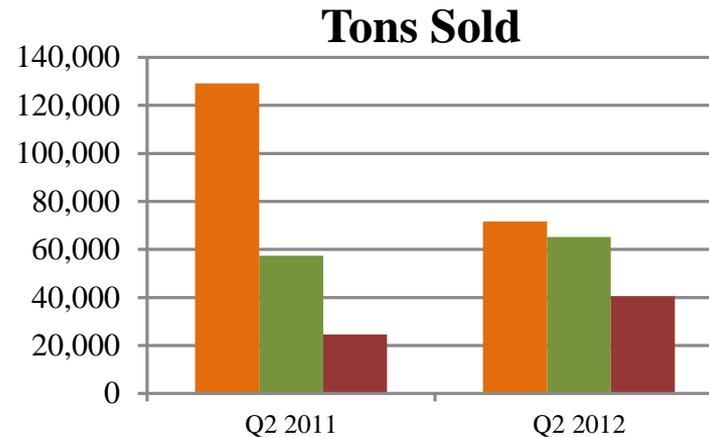
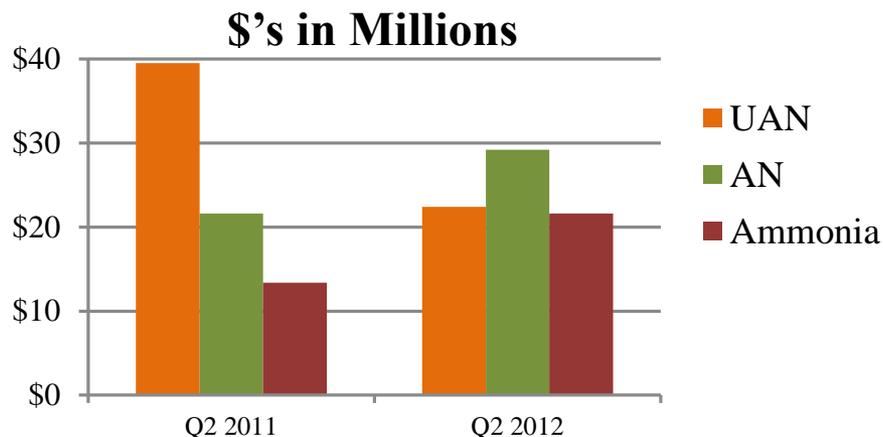


Changes from 2011 to 2012	Agricultural Products	Industrial Acids	Mining Products	Total
Second Quarter	2%	-15%	-43%	-11%
Six Months	8%	-4%	-24%	-2%

- Agricultural sales increased during Q2 2012.
- Industrial and mining product sales were lower, impacted primarily by unplanned downtime at El Dorado.

Chemical Key Product Sales

Agricultural

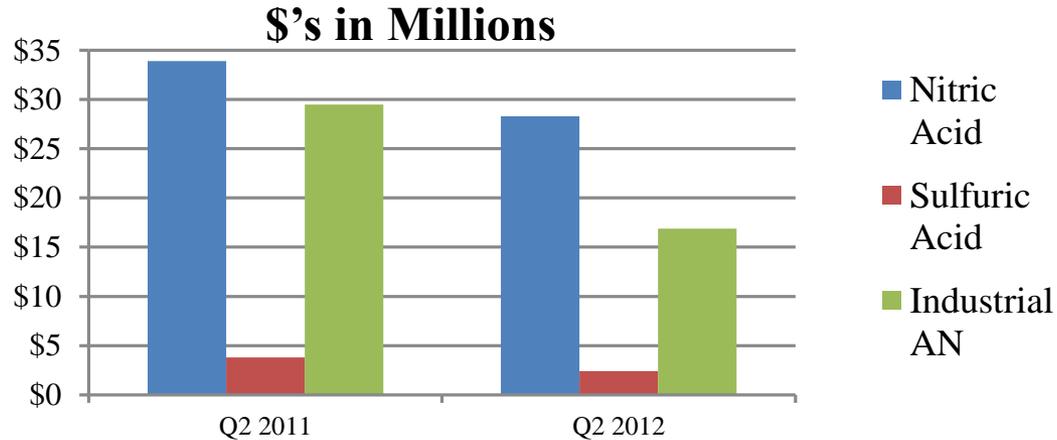


Changes from 2011 to 2012	UAN		AN		Ammonia	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Second Quarter	-43%	-45%	36%	14%	61%	65%
Six Months	-28%	-30%	36%	17%	70%	61%

- AN sales increased in Q2 2012 vs. Q2 2011 due to increased tons shipped, and increased sales price per ton. Ammonia sales increased due to tons shipped partially offset by lower sales price per ton.
- UAN tons sold decreased in Q2 2012 vs. Q2 2011 as a result of unplanned downtime at our Pryor facility.

Chemical Key Product Sales

Industrial Acids & Mining

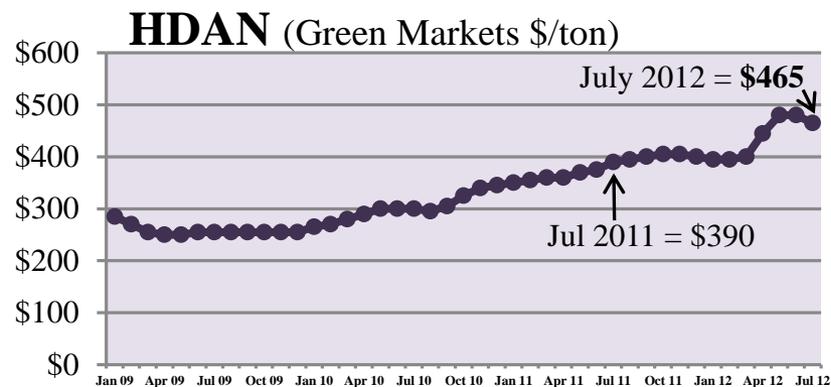
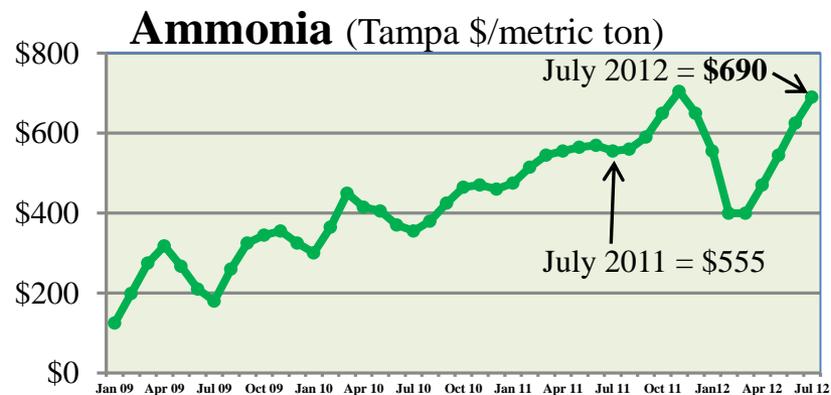
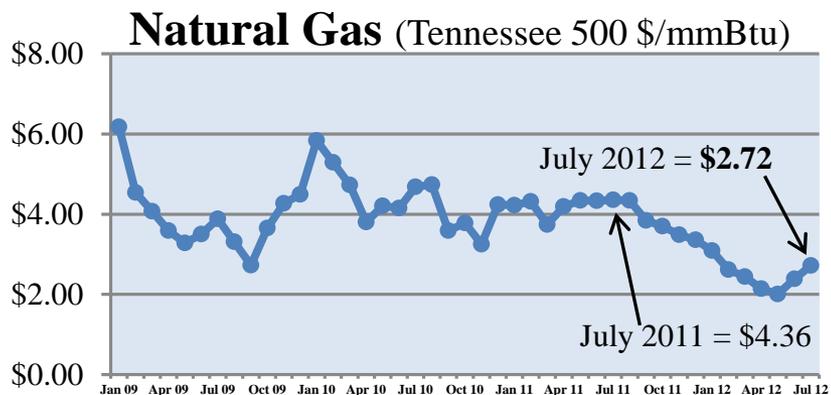


Changes from 2011 to 2012	Nitric Acid		Sulfuric Acid		Industrial AN	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Second Quarter	-17%	-16%	-35%	-34%	-43%	-40%
Six Months	-4%	-1%	-13%	-16%	-24%	-23%

- Sales of all industrial and mining products were down in Q2 2012 vs. Q2 2011 as a result of unplanned downtime at our El Dorado Facility.
- Our Cherokee, AL and Baytown, TX facilities continued to produce and sell products. However, they could not offset the lost volume at El Dorado.

Chemical Commodity Prices

Feedstocks & End Products



Chemical Market Outlook

Agricultural

Favorable Indicators:

- ✓ Grain stock-to-use ratios low

(Source: USDA WASDE report, 7-11-12 for crop year 2011/12)

- US Corn = 8.2%
- World Corn = 14.9%
- World Wheat = 28.4%

- ✓ Planting levels high
- ✓ Crop prices high
- ✓ Fertilizer demand up
- ✓ Natural gas feedstock cost low

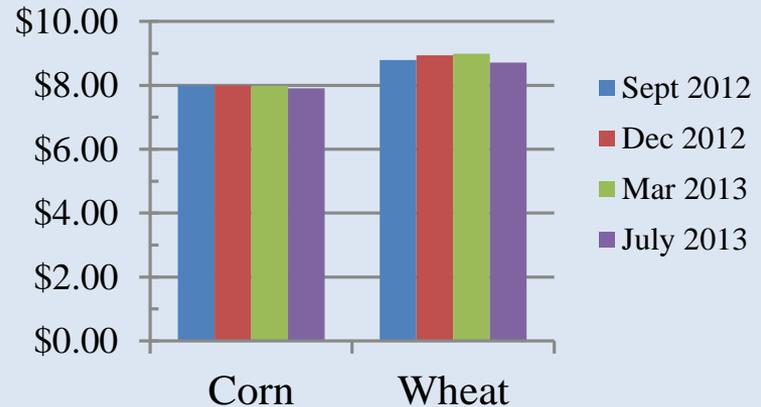
Fertilizer Prices:

- ✓ Current market prices strong

Wild Cards:

- Weather conditions
- Ethanol production level

Forward Crop Prices / Bushel



Sources:

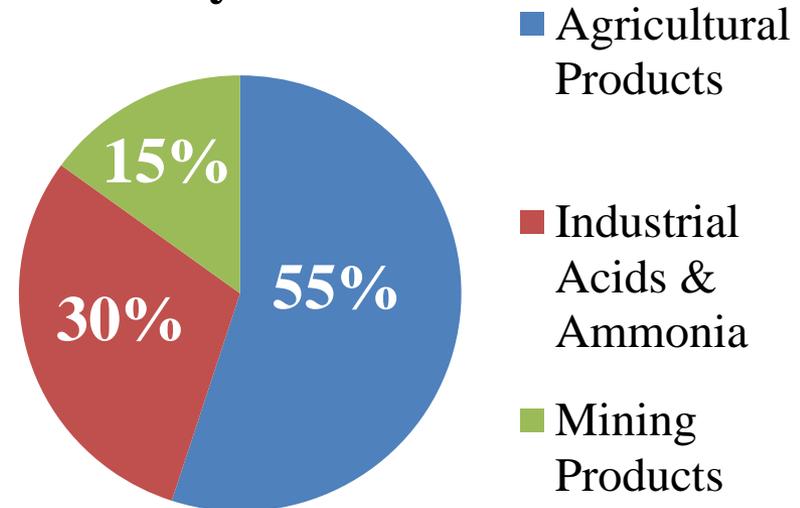
Sept., Dec. & Mar.: Fertecon Ammonia Report 8-2-12
July Corn: Chicago Board of Trade 8-6-12 close
July Wheat: Kansas City Board of Trade 8-6-12 close

Chemical Market Outlook

Industrial & Mining

- 45% of our Chemical Sales in H1 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 decrease in 2012 as a result of downtime at our El Dorado Facility.

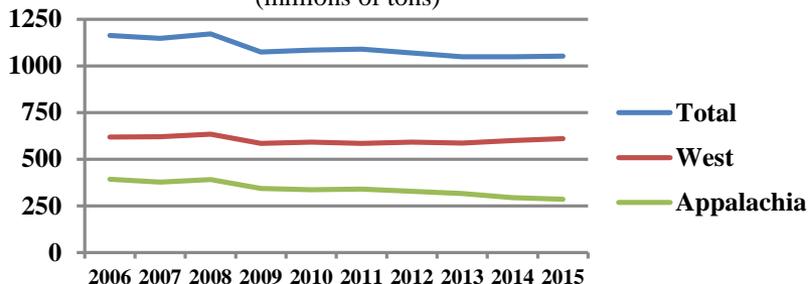
2012 Six Month
Sales by Sector



Chemical Market Outlook: Industrial & Mining

Coal Production Projections

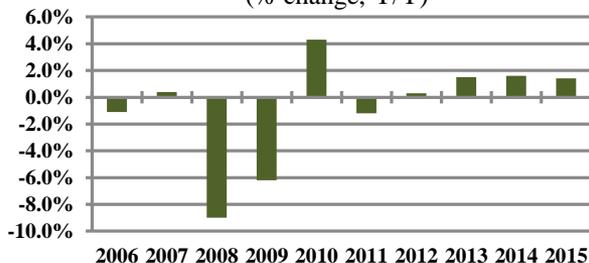
Source: Dept. of Energy – Energy Information Agcy.
2012 Annual Energy Outlook – Early Release
(millions of tons)



Coal – AN and AN solution is used for surface mining. Ammonia is used for NOX abatement at coal-fired power plants.

U.S. Paper Production

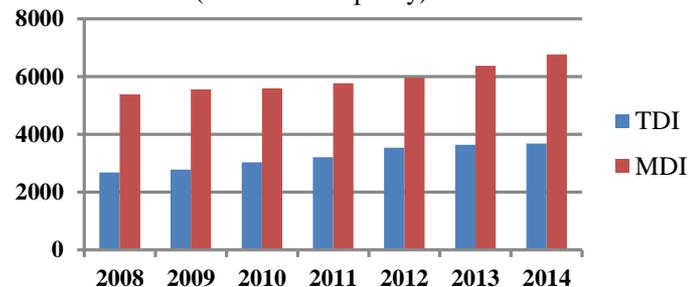
Source: American Chemistry Council
Year End 2011 Situation & Outlook
(% change, Y/Y)



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

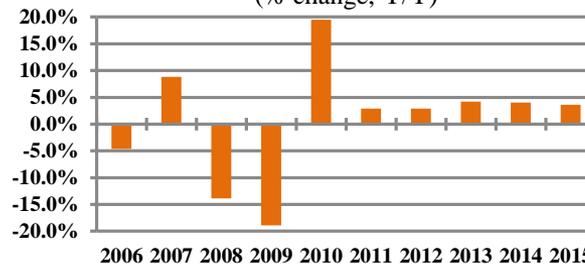
Source: Tecnon OrbiChem
(metric tons capacity)



Polyurethane - Baytown produces nitric acid used to produce *polyurethane intermediates*. TDI is used for flexible foams and MDI for rigid foams. MDI global growth is expected to be 2 times global GDP growth.

Basic Chemicals: Inorganics

Source: American Chemistry Council
(% 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, the sector is expected to grow 3% to 4% per year.

Pryor Chemical Co. Update

Urea Reactor

- Repair completed.
- Currently operational.

New Ammonia Capacity

- 60,000 tons per year.
- Currently debugging.
- Expect production before year-end.

Ammonia Production

- Persistent problems with: six old design converters, high internal temperatures in summer, end-of-life catalyst.
- Planned upgrade: Replace six old design converters with single more current design Kellogg converter, add chiller, new catalyst.



El Dorado Chemical Update

Business Interruption

- Explosion occurred on May 15, 2012.
- No injuries to EDC team members or El Dorado citizens.
- Strong DSN 98% nitric acid plant destroyed.
- Other three nitric acid plants and prilling towers sustained lesser damage.
- Sulfuric acid plant also damaged.
- Ancillary equipment and structures damaged.



Current Status

- Strong nitric acid plant will not be repaired, rather it will be replaced by new nitric acid plant and a concentrator. At least two years to complete at a cost over \$100 million.
- Two nitric acid plants and prilling towers have returned to production with third acid plant expected to re-start in August.
- Sulfuric acid production expected in Q4 2012.
- Other areas either repaired or repair is planned/underway.
- Property insurance coverage (over \$1 mil deductible) plus business interruption insurance past first 30 days.

Chemical

Strategies & Major Initiatives

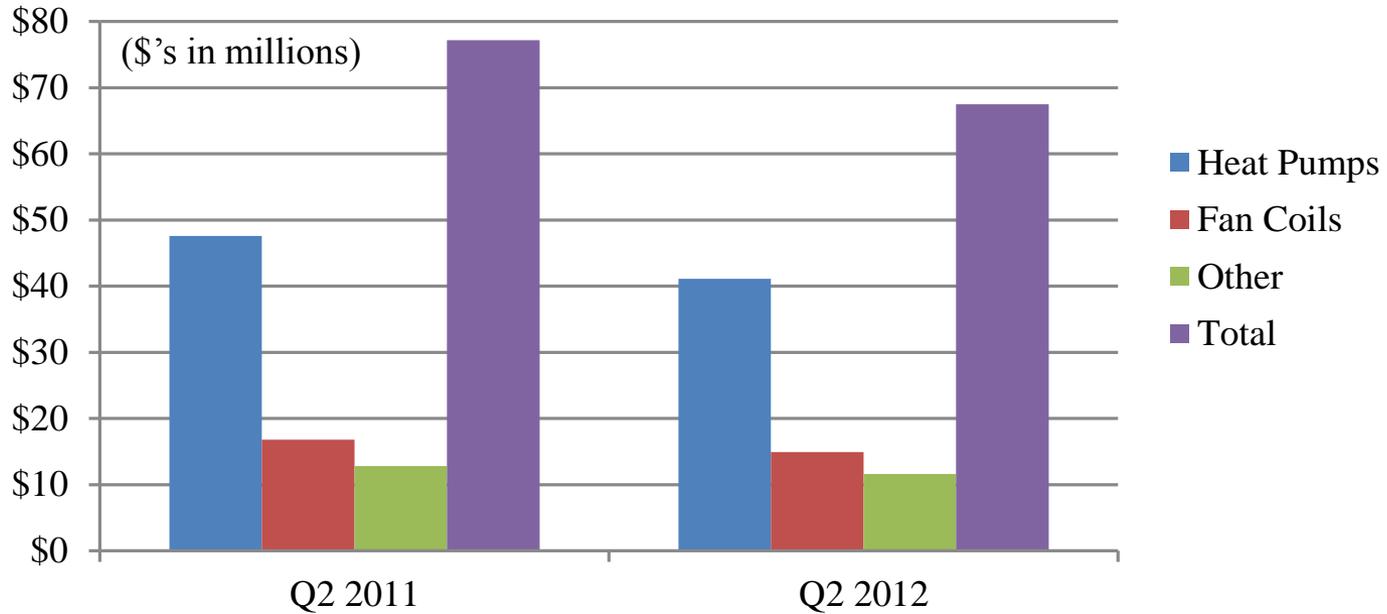
Strategies

- Continued emphasis on operational excellence: capacity enhancement, efficiency, and reliability of facilities.
- 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

- Optimize all facility production rates of plants currently on-line.
- Expansion of Pryor facility capacity (approx. 60,000 TPY ammonia).
- Replace ammonia converters at Pryor
- Repair El Dorado ASAP and add new acid plant.
- Major capital projects (other than maintenance projects); increase capacity at Pryor and Cherokee; El Dorado pipeline; Cherokee and El Dorado NOX abatement; Cherokee and Pryor electrical and control system upgrades.

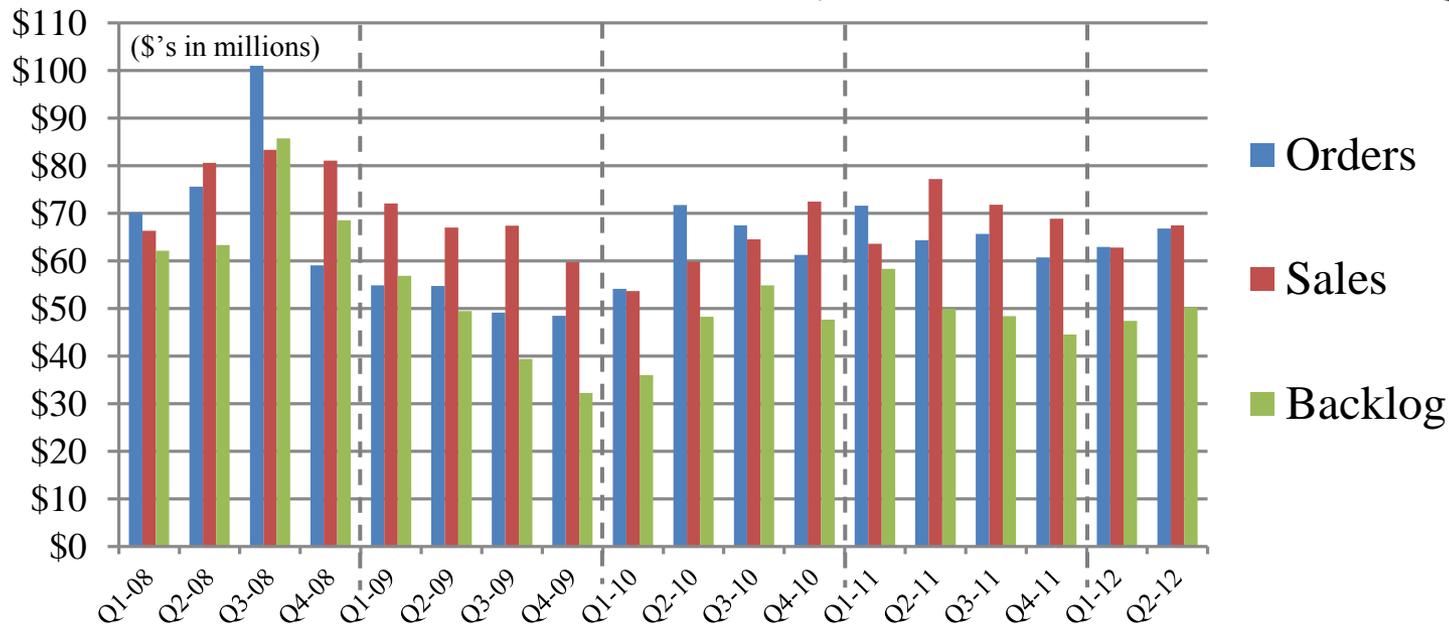
Climate Control Sales



Changes from 2011 to 2012	Heat Pumps	Fan Coils	Other	Total
Second Quarter	-14%	-11%	-10%	-12%
Six Months	-9%	-4%	-4%	-7%

- Sales of all products except custom air handlers (reported within “Other” above) were lower in Q2 2012 than Q2 2011.

Climate Control Orders, Sales & Backlog

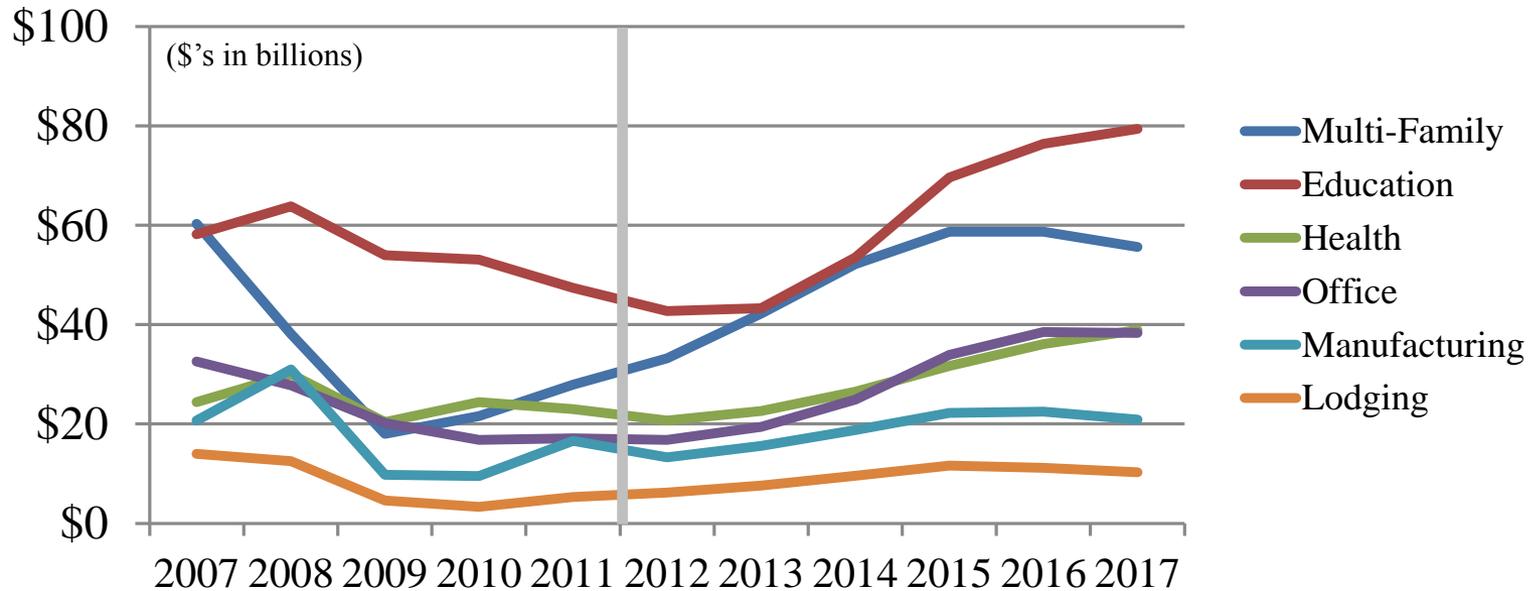


Changes from 2011 to 2012	Commercial & Institutional	Single Family Residential	Total
Q2 New Orders	7%	-8%	4%
Q2 Sales	-11%	-19%	-12%
Six Months Orders	-2%	-15%	-5%
Six Months Sales	-6%	-14%	-7%
Ending Backlog at 6-30	2%	-15%	1%

Climate Control Market Outlook

Commercial & Institutional Construction Awards

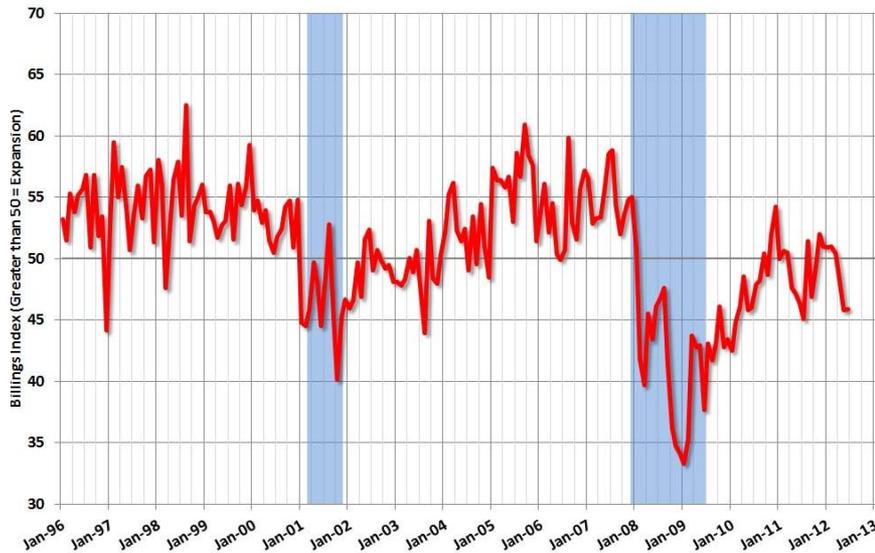
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q3 2012



- In 2011 these combined markets accounted for approx. 61% of total Climate Control sales, and 78% of sales of commercial and institutional products.
- Aggregate decrease forecast for 2012 is 3% (revised from +3% last quarter).
- Aggregate increase forecast by 2017 is 77%.

Climate Control Market Outlook

June 2012 Architectural Billings Index = **45.9**



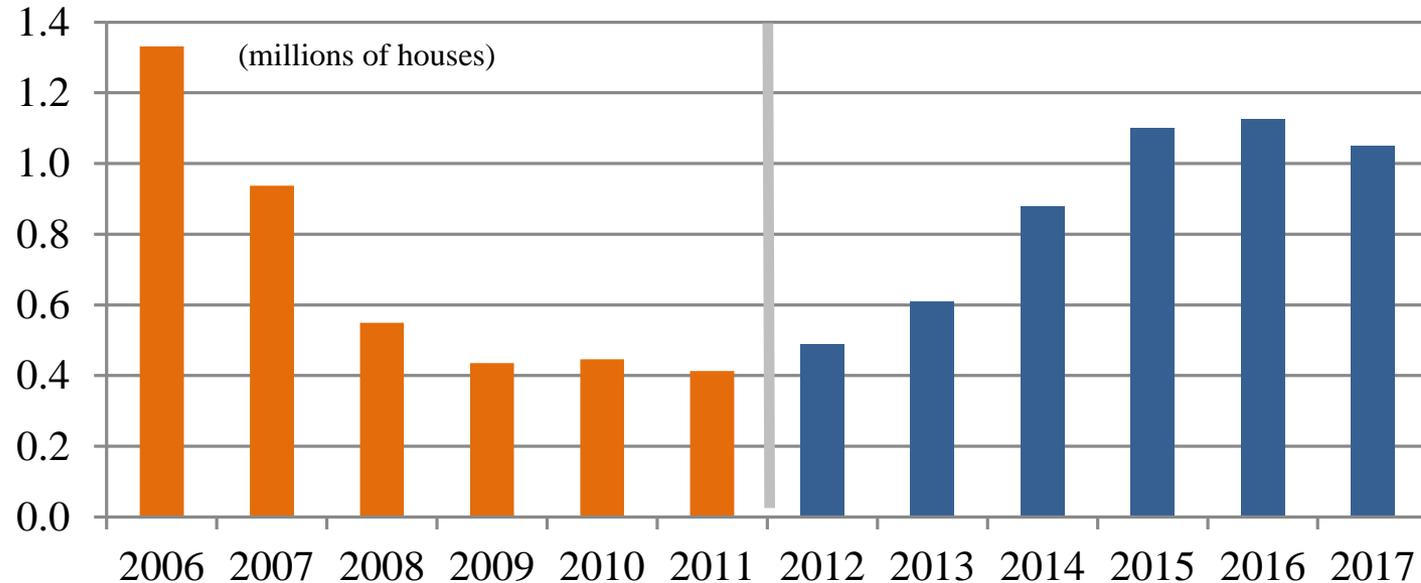
The Architectural Billings Index (ABI), produced by the American Institute of Architects (AIA) Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings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

- **The June ABI indicated a drop in design activity at U.S. architecture firms, and suggesting upcoming weakness in spending on nonresidential construction projects.**
- The June ABI score was 45.9, nearly identical to the mark of 45.8 in May. This score reflects a decrease in demand for design services. The new projects inquiry index was 54.4, up slightly from mark of 54.0 the previous month.
- **“The downturn in design activity that began in April and accelerated in May has continued into June, likely extending the weak market conditions we’ve seen in nonresidential building activity,”** said AIA Chief Economist, Kermit Baker. “While not all firms are experiencing negative conditions, a large share is still coping with a sluggish and erratic marketplace.”

Climate Control Market Outlook

Single Family Residential Construction Starts

Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q3 2012



- Single family residential, all geothermal heat pumps, accounted for approx. 21% of all Climate Control sales during 2011 and 18% during H1 2012.
- From 2011 through 2017 this market is forecast to increase 154%.
- 30% Federal tax credits should positively impact sales of geothermal products.

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: 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 (e.g. Trilogy 40 geothermal heat pumps).
- Major capital projects: expansion of air coil manufacturing facility; expansion of fan coil new product test lab facility.

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 and other business operations, net.

LSB Industries, Inc. Consolidated	Three months ended 06-30		Six months ended 06-30	
	2011	2012	2011	2012
Net income	\$ 28.6	\$ 26.0	\$ 49.6	\$ 40.3
Plus:				
Interest expense	1.9	1.2	3.6	2.3
Depreciation and amortization	4.6	5.1	9.2	10.1
Provisions for income taxes	17.5	15.5	29.1	23.3
Loss from discontinued operations	0.0	0.0	0.1	0.1
EBITDA per conference call	\$ 52.6	\$ 47.8	\$ 91.6	\$ 76.1
Climate Control Business				
Operating income	\$ 9.2	\$ 7.3	\$ 17.6	\$ 13.1
Plus:				
Equity in earnings of affiliate	-	0.1	0.2	0.4
Depreciation and amortization	0.5	0.6	1.1	1.2
EBITDA per conference call	\$ 9.7	\$ 8.0	\$ 18.9	\$ 14.7
Chemical Business				
Operating income	\$ 42.7	\$ 39.1	\$ 71.8	\$ 59.5
Plus:				
Depreciation and amortization	3.6	4.0	7.1	8.0
EBITDA per conference call	\$ 46.3	\$ 43.1	\$ 78.9	\$ 67.5

Note: Please refer to the Company's Form 10-Q for the quarterly period ended June 30, 2012 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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