

LSB Industries, Inc.

2013 Second Quarter Results

August 9, 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 TODAY 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, INCLUDING THOSE PERTAINING TO COMMERCIAL, INSTITUTIONAL AND RESIDENTIAL BUILDING (INAUDIBLE) FOR INVESTOR GROWTH AND MCGRAW-HILL FORECASTS REGARDING THE TOTAL GREEN RETROFIT RENOVATION MARKETS AND ENERGY EFFICIENCY MARKETS. THE FORWARD-LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO THE FOLLOWING STATEMENTS -- A NEW ANHYDROUS AMMONIA PLANT WILL ALLOW US TO ALMOST DOUBLE OUR TOTAL AMMONIA PRODUCTION CAPACITY; PERMITS FROM THE ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY WILL BE RECEIVED; WHEN WE RECEIVE THEM, WE WILL BREAK GROUND ON THE PROJECT; WE EXPECT A SIGNIFICANT AMOUNT OF THIS PLANT TO BE PAID FOR WITH INSURANCE PROCEEDS; WE EXPECT THAT WE WILL RECEIVE INSURANCE PAYMENTS BEFORE THE END OF 2013; WE ARE IN THE PROCESS OF RENEWING, ADDING AND EXPANDING OUR LONG-TERM CONTRACTS TO SUPPLY OUR CUSTOMERS WITH ADDITIONAL CAPACITY THAT WILL BE AVAILABLE FROM THE FUTURE EXPANDED EL DORADO PLANT; WE EXPECT OUR CHEMICAL BUSINESS RESULTS TO IMPROVE SIGNIFICANTLY IN THE SECOND HALF OF THE YEAR COMPARED TO THE FIRST HALF; IN OUR CLIMATE CONTROL BUSINESS WE ARE WELL POSITIONED TO CAPITALIZE ON THE CONTINUED STRENGTHENING IN DEMAND FROM BOTH THE COMMERCIAL/INSTITUTIONAL AND RESIDENTIAL SECTORS, WHICH SHOULD LEAD TO FURTHER INCREASES IN PRODUCT SALES, ORDERS AND BACKLOG; WE ARE LOOKING FORWARD TO REPORTING IMPROVING RESULTS AS WE PROGRESS THROUGH THE BALANCE OF 2013 AND INTO 2014; BIG PICTURE LONG TERM OUTLOOK IS STRONG FOR US; EL DORADO FACILITY'S NITRIC ACID PRODUCTION CAPACITY WILL CONTINUE TO BE LIMITED TO APPROXIMATELY 80% OF NORMAL CAPACITY UNTIL 2015 WHEN CONSTRUCTION OF THE NEW NITRIC ACID PLANT IS SCHEDULED TO BE COMPLETED; WE ANTICIPATE THAT WE WILL RECEIVE THE REMAINING ESTIMATED INSURANCE RECOVERY OF APPROXIMATELY \$75-100 MILLION DURING THE REMAINDER OF 2013, ALTHOUGH THERE ARE NO ASSURANCES; PLANNED CAPITAL SPENDING; FUNDING OF PLANNED CAPITAL SPENDING; WE PLAN TO ADD A 375,000 TPY AMMONIA PLANT TO OUR EL DORADO FACILITY; THE PLANNED AMMONIA PLANT WILL LOWER EL DORADO'S COST OF PRODUCTION AND PROVIDE APPROXIMATELY 155,000 TPY OF AMMONIA CAPACITY; WE WILL SOON EXECUTE AN AGREEMENT WITH AN EPC FIRM TO CONSTRUCT THE AMMONIA PLANT; WE HOPE TO HAVE THE AMMONIA PLANT CONSTRUCTED AND IN OPERATION DURING 2015; WE ALSO PLAN TO REPLACE THE DSN, DIRECT STRONG NITRIC ACID PLANT THAT WAS DESTROYED AT EDC WITH A STATE-OF-THE ART WEATHERLY 65% ACID PLANT AND CONCENTRATOR; WE EXPECT THAT PLANT TO BE OPERATIONAL IN 2015; THE NEW PLANT WILL INCREASE EDC'S NITRIC ACID CAPACITY BY APPROXIMATELY 280,000 TPY; RENOVATION AND RETROFIT OF EXISTING BUILDINGS HAVE BEEN AND WILL CONTINUE TO BE AN IMPORTANT MARKET FOR US; POSITIVE TREND IS THE INCREASE IN GREEN CONSTRUCTION THAT HAS OCCURRED IN THE PAST FEW YEARS AND IS EXPECTED TO CONTINUE; OUR PRIMARY INITIATIVES FOR OUR CLIMATE CONTROL BUSINESS FOR 2013 ARE THE INTRODUCTION OF SEVERAL NEW PRODUCTS AND A HEAVY FOCUS ON LEAN OPERATIONAL EXCELLENCE PROJECTS INTENDED TO REDUCE COSTS, ELIMINATE WASTE, STREAMLINE PROCESSES, AND IMPROVE QUALITY.

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, 2012 AND FORM 10-Q'S FOR THE PERIODS ENDING MARCH 31, 2013 AND JUNE 30, 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 Q2-2013 CONFERENCE CALL PRESENTATION WHICH IS POSTED ON OUR WEBSITE.

Overview

- Consolidated net sales for Q2 2013 were \$202.2 million, 3% below \$209.3 million reported in Q2 2012. There was a \$16.8 million decline in our Chemical Business, primarily related to the downtime at our Cherokee, AL and Pryor, OK plants, partially offset by a \$9.8 million increase in our Climate Control Business.
- Earnings per share for Q2 2013 were \$0.31 compared to \$1.11 for Q2 2012, reflecting the impact of the downtime at our chemical facilities and lower operating income for that segment, partially offset by improved operating income from our Climate Control Business.
- All chemical operations are currently operating at or near design rates, with the exception of the El Dorado DSN plant.
- We are planning an ammonia plant, a new nitric acid plant and concentrator for our El Dorado facility, all estimated to be complete during 2015.
- We recently completed a \$425 million bond issue and received the funds. These will be used, in conjunction with insurance proceeds and cash flow from operations, to fund our capital expansion plans, primarily at our El Dorado facility.
- With our chemical facilities back in operation, and a recovery underway in our climate control end markets, we expect improved results as we progress through 2013 and 2014.
- The big picture long-term outlook is strong for us, however we are not immune from macro economic issues that could affect our businesses.

LSB Consolidated Financial Results

Second Quarter Highlights

<i>\$ in millions except per share amounts</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2013	Change	2012	2013	Change
Net Sales	\$209.3	\$202.2	(\$7.1)	\$399.5	\$352.9	(\$46.6)
Operating Income	\$42.3	\$12.2	(\$30.1)	\$65.4	\$12.0	(\$53.4)
% of net sales	20.2%	6.0%	(14.2%)	16.4%	3.4%	(13.0%)
Net Income	\$26.0	\$7.4	(\$18.6)	\$40.3	\$7.4	(\$33.0)
% of net sales	12.4%	3.7%	(8.8%)	10.1%	2.1%	(8.0%)
Diluted EPS	\$1.11	\$0.31	(\$0.80)	\$1.72	\$0.31	(\$1.41)
Cash Flow Provided by Operations	\$45.4	\$27.0	(\$18.4)	\$56.5	\$6.9	(\$49.6)
EBITDA	\$47.8	\$18.9	(\$28.9)	\$76.1	\$25.4	(\$50.7)
Cash, Restricted Cash and Short-Term Investments as of 6-30,	\$148.9	\$66.4	(\$82.6)	\$148.9	\$66.4	(\$82.6)

Second Quarter:

- Sales down 3%
- Operating income down 71%
- EPS = \$0.31
- EBITDA = \$18.9 million

Six Months:

- Sales down 12%
- Operating income down 82%
- EPS = \$0.31
- EBITDA = \$25.4 million

Chemical Business

Second Quarter Highlights

<i>\$ in millions</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2013	Change	2012	2013	Change
Net Sales	\$138.1	\$121.3	(\$16.8)	\$262.3	\$198.8	(\$63.5)
Gross Profit	\$43.5	\$12.1	(\$31.4)	\$67.5	\$14.5	(\$53.0)
% of net sales	31.5%	10.0%	(21.5%)	25.7%	7.3%	(18.4%)
Operating Income	\$39.1	\$6.4	(\$32.8)	\$59.5	\$2.6	(\$56.9)
% of net sales	28.3%	5.3%	(23.1%)	22.7%	1.3%	(21.4%)
EBITDA	\$43.1	\$11.7	(\$31.4)	\$67.5	\$13.4	(\$54.1)
Capital Expenditures	\$15.6	\$37.3	\$21.6	\$27.8	\$78.7	\$50.9

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

Climate Control Business

Second Quarter Highlights

<i>\$ in millions</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2013	Change	2012	2013	Change
Net Sales	\$67.5	\$77.4	\$9.8	\$130.3	\$147.6	\$17.3
Gross Profit	\$21.0	\$25.4	\$4.4	\$40.4	\$47.4	\$7.0
% of net sales	31.1%	32.8%	1.8%	31.0%	32.1%	1.1%
Operating Income	\$7.3	\$9.5	\$2.1	\$13.2	\$15.8	\$2.7
% of net sales	10.8%	12.2%	1.4%	10.1%	10.7%	0.6%
EBITDA	\$8.1	\$10.3	\$2.2	\$14.7	\$17.5	\$2.8
Capital Expenditures	\$0.9	\$0.9	-	\$2.0	\$3.6	\$1.6

- Sales were 15% above Q2 2012, 13% above the first half of 2012.
- Sales of commercial products increased year over year. Sales of residential products showed slight improvement in the second quarter but are still behind prior year to date.
- Gross profit, gross margin, and operating income increased primarily as a result of increased sales volume.

Solid Financial Position

<i>\$ in millions</i>	December 31, 2012	June 30, 2013
Cash (including restricted cash)	\$98.1	\$66.4
Total Debt (interest bearing)	\$72.4	\$107.9 (A)
Cash in Excess of Debt	\$25.6	(\$41.5)
Stockholders' Equity	\$354.5	\$362.8
Total Capitalization	\$426.9	\$470.6
Interest Coverage Ratio	27.7x	20.0x

(A) As of June 30, 2013, total debt consisted of a \$66.6 million secured term loan due in March 2016, a \$32.8 million secured promissory note due in February 2016 and \$8.5 million of equipment loans and capital leases. Our availability under the \$50.0 million working capital revolver loan was \$48.4 million.

Planned Capital Expenditures

<i>Dollars in Millions</i>	2013 - 2015 (1)
Chemical	
Nitric Acid Plant (EDC)	120
Ammonia Plant (EDC)	270
Infrastructure (EDC)	22
Ammonia Converter (Pryor)	20
Other (reliability, upgrades, growth, environmental, maintenance)	168
Total Chemical	600
Climate Control	
New Equipment, upgrades	17
New Koax Facility	8
Maintenance	15
Total Climate Control	40
Other	10
Total Capital Expenditures	650

(1) Estimates of planned capital expenditure amounts and timing are based on information available at the time of this presentation and are subject to change.

Pro Forma Capitalization as of June 30, 2013 Post Issuance of Senior Notes

(Dollars in Millions)

	Current 6/30/2013	Transaction Adjustments	Proforma	% of Total Capitalization
Cash (excluding restricted cash)	<u>\$65.6</u>	<u>\$350.8</u>	<u>\$416.4</u>	
Working Capital Revolver - \$100MM	-		-	0.0%
Secured Term Loan	66.6	(66.6)	-	-
Secured Promissory Note	32.8		32.8	2.8%
Other	8.5		8.5	0.7%
New Senior Secured Notes	-	425.0	425.0	35.8%
Total long-term debt	<u>\$107.9</u>	<u>\$358.4</u>	<u>\$466.3</u>	39.3%
<i>Net Debt</i>	<i>\$42.3</i>		<i>\$49.9</i>	
Market Capitalization (1)	\$719.3		\$719.3	60.7%
Total Capitalization	<u>\$827.2</u>		<u>\$1,185.6</u>	<u>100.0%</u>

(1) Based on share price of \$32.05 and 22,441,528 shares outstanding at 8/6/13

Where Our Products Go

Q2 2013 YTD Sales Mix

(NOT TYPICAL due to downtime at Cherokee and Pryor facilities)



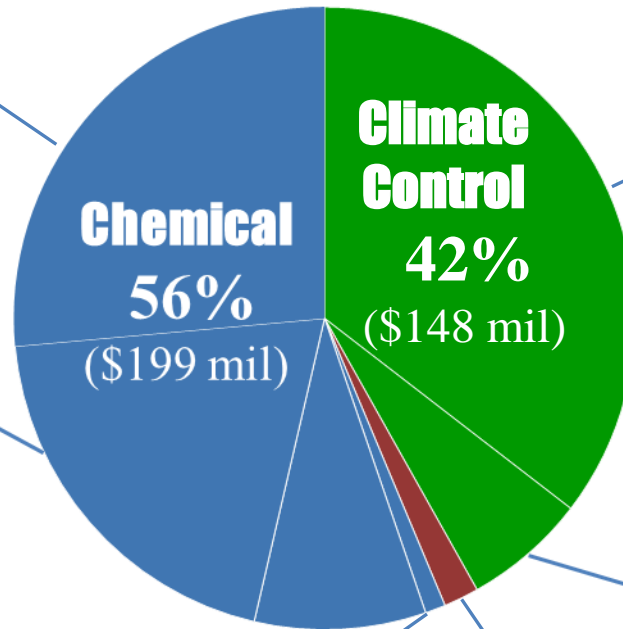
26% Agriculture



20% Industrial Acids & Ammonia



9% Mining



36% Commercial & Institutional Buildings



6% Single-family Residential

Where Our Products Go

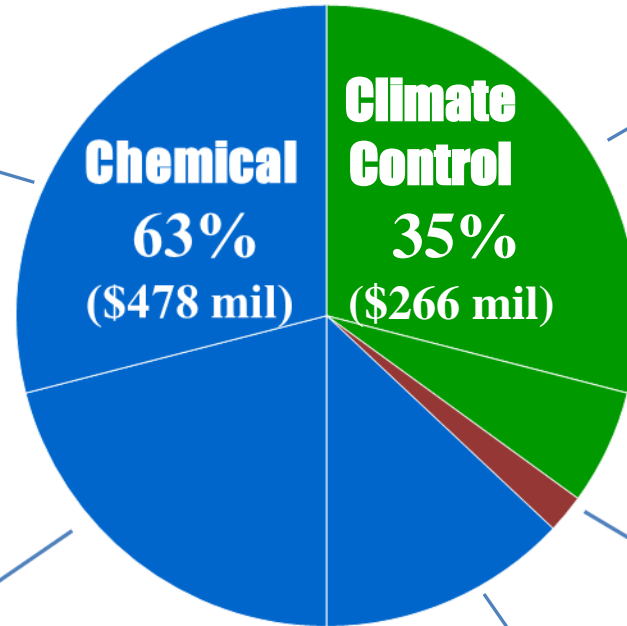
2012 Full Year Sales Mix



29% Agriculture



**21% Industrial
Acids & Ammonia**



**13%
Mining**



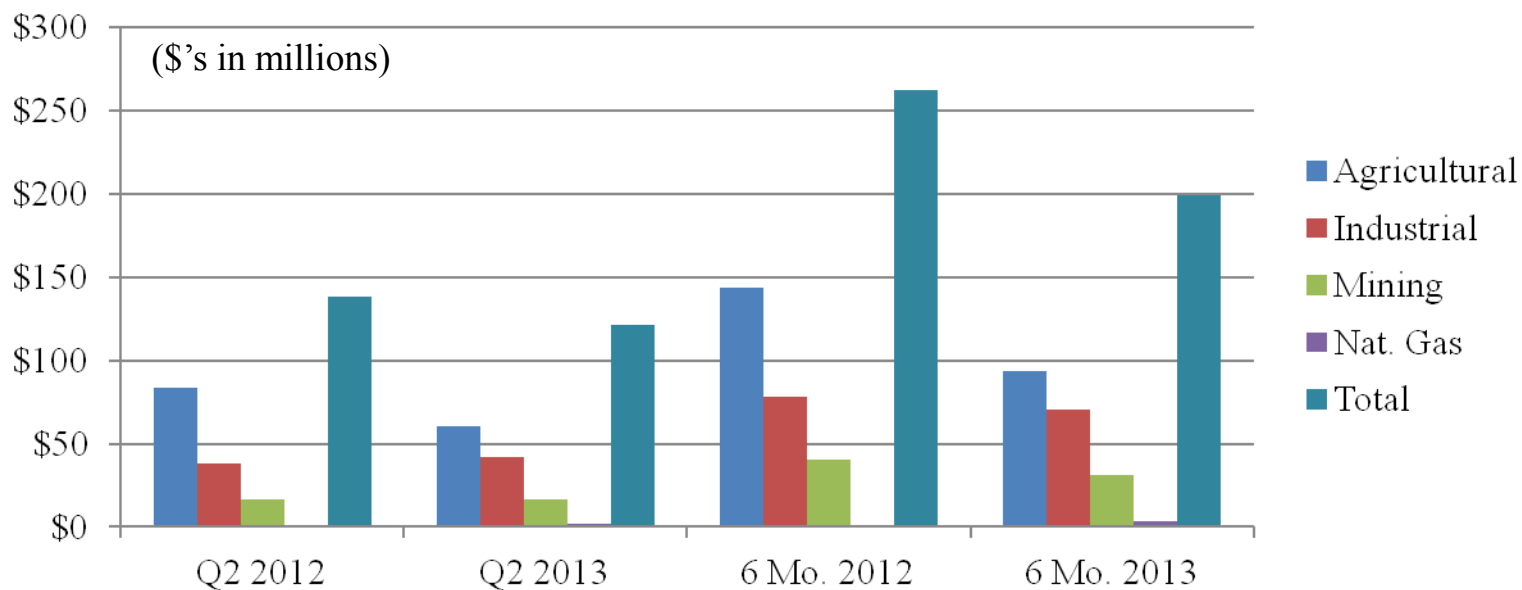
**29% Commercial
& Institutional
Buildings**



**6% Single-family
Residential**

**Engineered Products
& Other 2%**

Chemical Sales

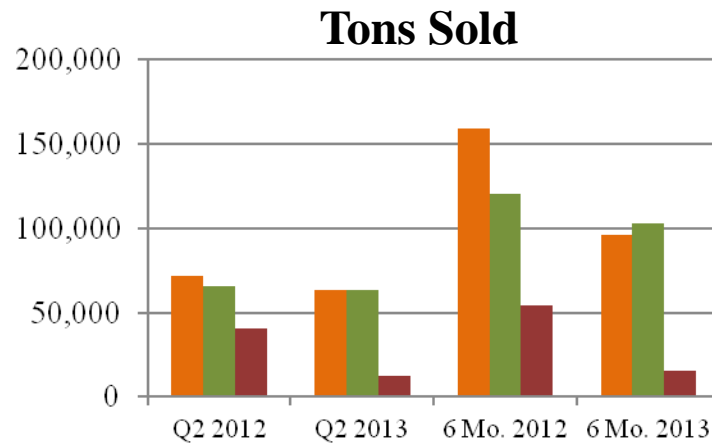
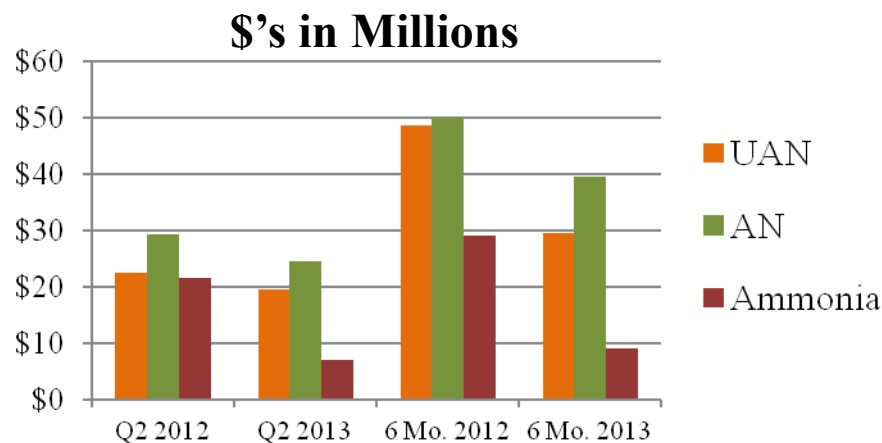


Changes from 2012 to 2013	Agricultural Products	Industrial Acids	Mining Products	Natural Gas	Total
Second Quarter	(27%)	11%	0%	N/A	(12%)
Six Months	(35%)	(10%)	(22%)	N/A	(24%)

- Sales for the six month period were lower for most chemical products due to downtime at our production facilities and lower demand for mining products.

Chemical Key Product Sales

Agricultural

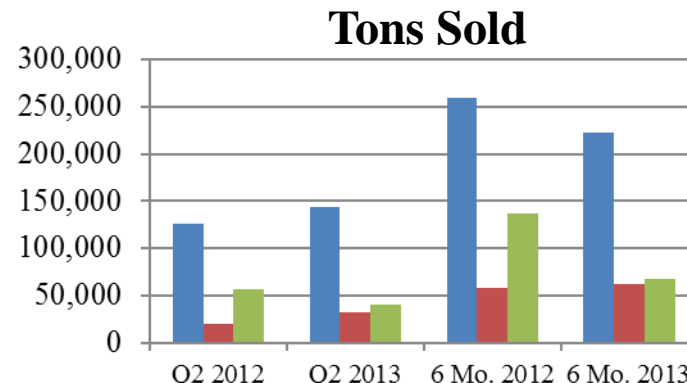
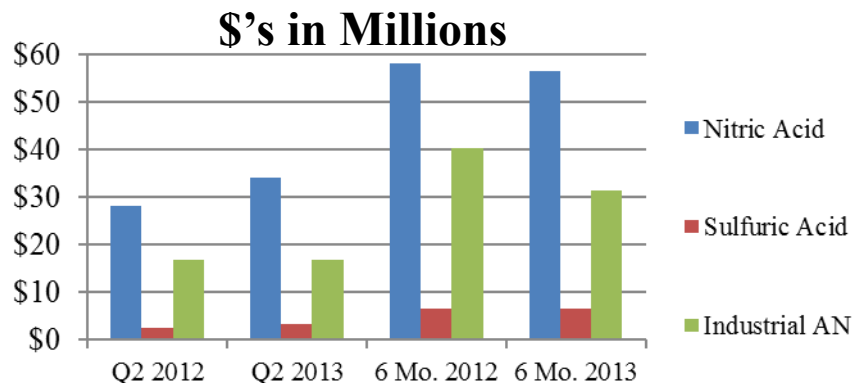


Changes from 2012 to 2013	UAN		AN		Ammonia	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Second Quarter	(13%)	(11%)	(16%)	(4%)	(67%)	(70%)
Six Months	(39%)	(39%)	(21%)	(15%)	(69%)	(72%)

- UAN and ammonia tons were less as a result of the downtime at Cherokee and Pryor.
- AN sales decreased due to selling prices and less demand.

Chemical Key Product Sales

Industrial Acids & Mining

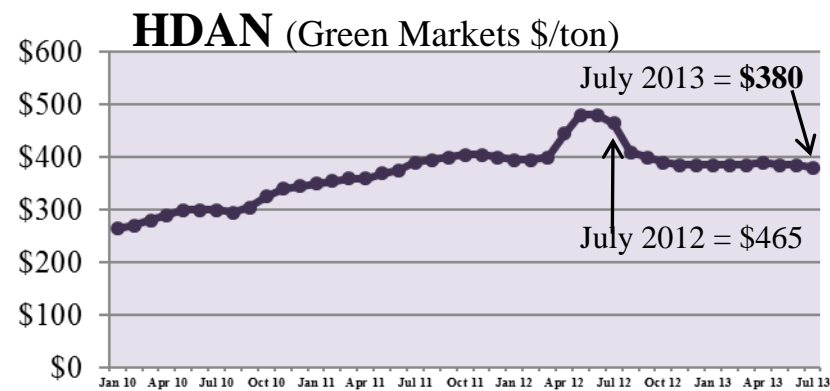
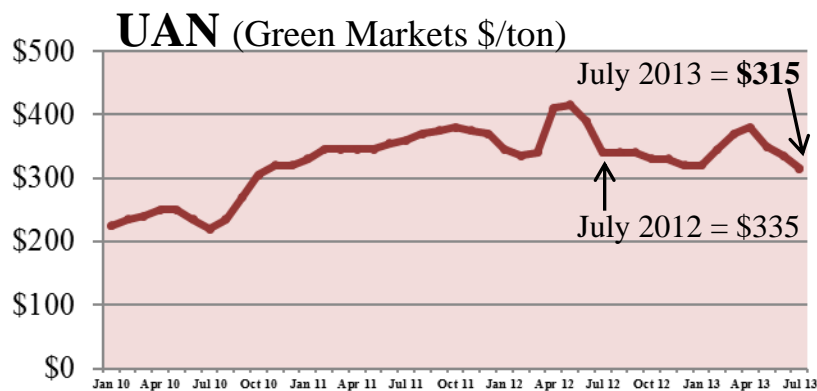
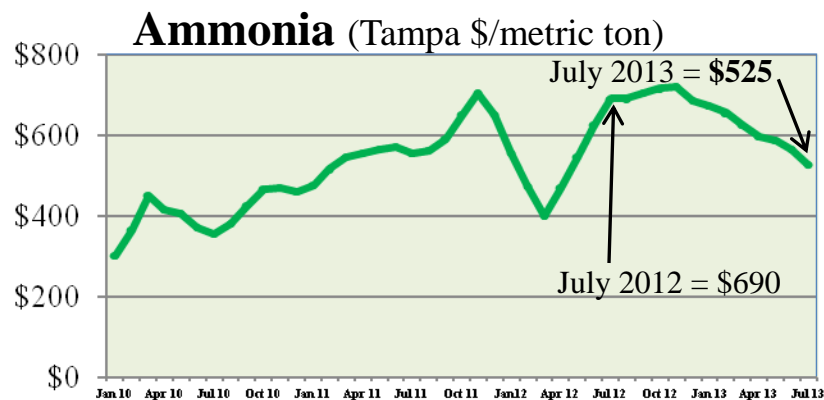
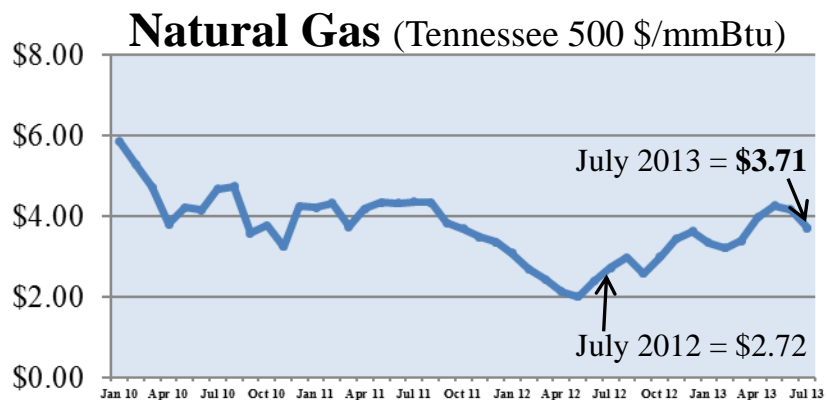


Changes from 2012 to 2013	Nitric Acid		Sulfuric Acid		Industrial AN	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Second Quarter	21%	14%	36%	56%	(0%)	(29%)
Six Months	(2%)	(14%)	(4%)	8%	(22%)	(50%)

- Nitric acid sales were up during Q2 2013 compared Q2 2012, however, down for the six month period due to planned maintenance turnaround at the Baytown, TX facility, during Q1 2013.
- Sulfuric acid tons were up during Q2 and H1 2013 as Q2 and H1 2012 sales were impacted by the El Dorado plant outage in May 2012, offset by lower pricing.
- Industrial AN sales decreased in 2013 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, 07-11-13 for crop year 2012/13)
 - US Corn = 6.2%
 - World Corn = 12.5%
 - World Wheat = 20.4%
- ✓ Planting levels high
- ✓ Crop prices favorable to growers
- ✓ Fertilizer demand strong
- ✓ Natural gas feedstock cost low

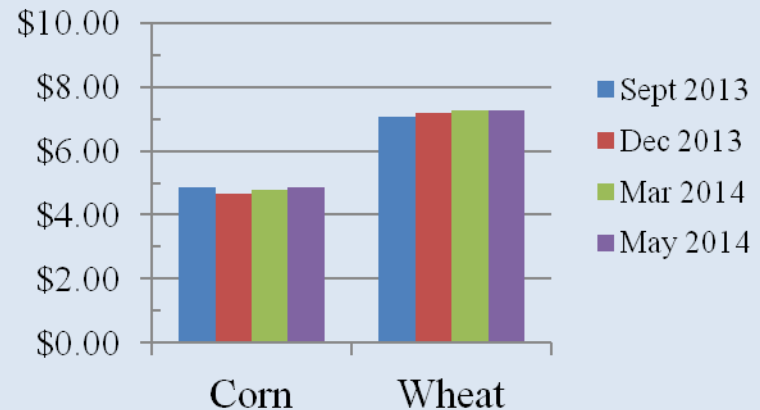
Fertilizer Prices:

- ✓ Lower than a year ago

Wild Cards:

- Weather conditions
- Ethanol production

Forward Crop Prices / Bushel



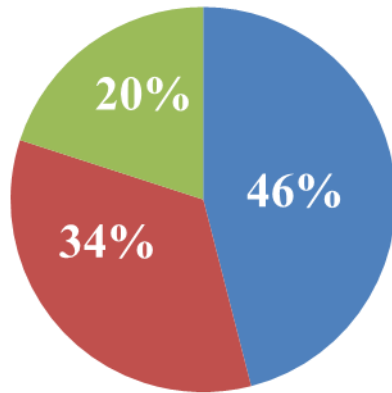
Sources:

Corn: Chicago Board of Trade 08-01-13 close
Wheat: Kansas City Board of Trade 08-01-13 close

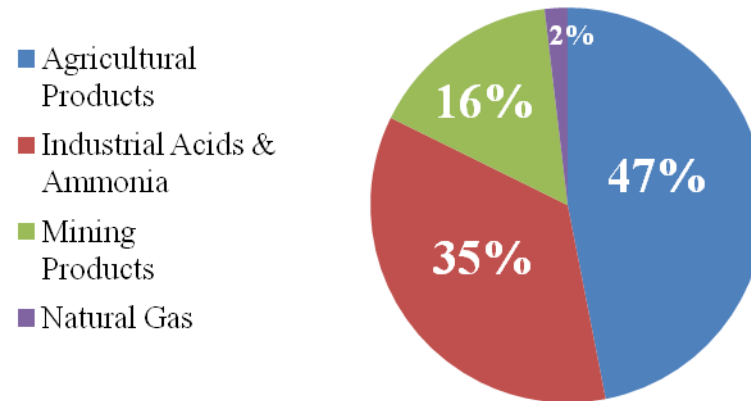
Chemical Market Outlook

Industrial & Mining Sales by Sector

2012 Full Year



2013 Q2 YTD

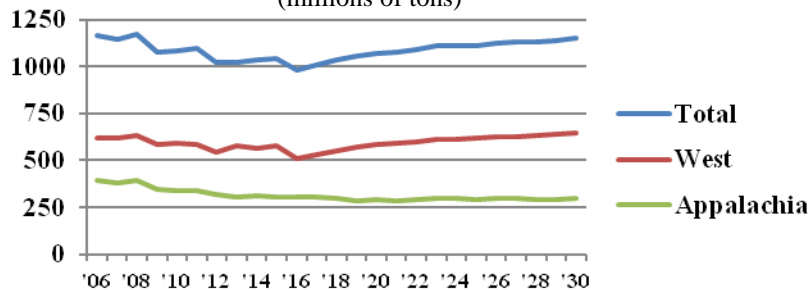


- 51% of our Chemical sales during 2013 were industrial and mining products used in North America.
- Most industrial and mining sales are contractual with *cost plus* and/or *minimum take* provisions.
- Industrial and mining sales are expected to be a lower percentage going forward until the new acid plant is rebuilt in El Dorado.

Chemical Market Outlook: Industrial & Mining

Coal Production Projections

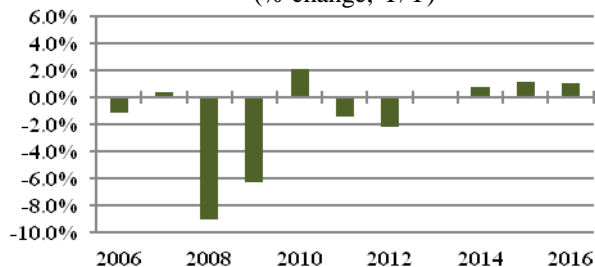
Source: Dept. of Energy – Energy Information Agcy.
2013 Annual Energy Outlook & Short-Term Energy Outlook
(millions of tons)



Coal – AN and AN solution is used for surface mining. Ammonia is used for NOx abatement. In 2012, coal accounted for 37% electricity generation.

U.S. Paper Production

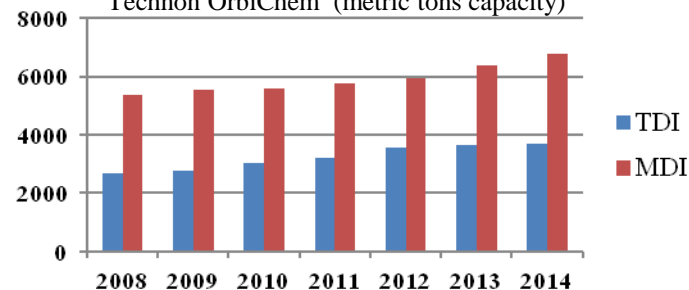
Source: American Chemistry Council
Year End 2012 Situation & Outlook
(% change, Y/Y)



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

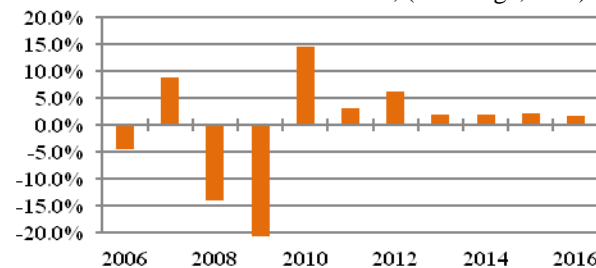
Source: Transparency Market Research
Technon OrbiChem (metric tons capacity)



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

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 good year in 2012, grow is expected at a modest 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
 - Constructing ammonia plant – estimated completion during 2015
- **Cherokee Nitrogen** (Cherokee, AL)
 - Resumed production in May 2013
 - Operating at historical production levels
- **Pryor Chemical** (Pryor, OK)
 - Resumed production in April 2013
 - Post-startup mechanical issues
 - 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

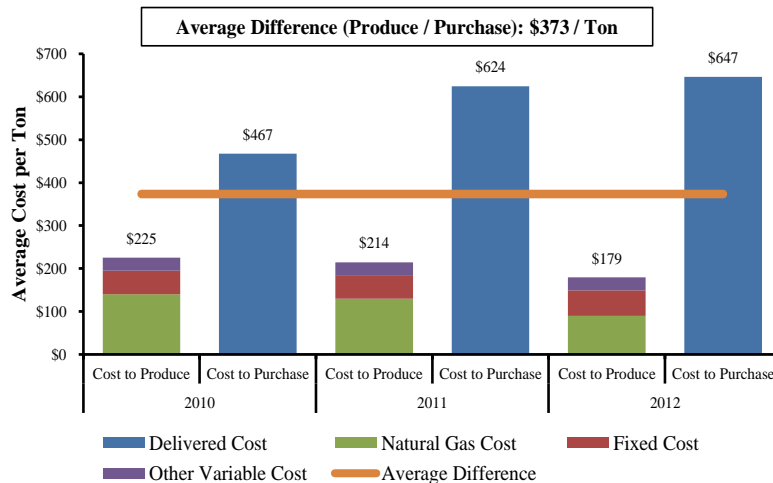
- Enhanced PSM programs.
- Optimize all facility production rates of plants currently on-line.
- Complete expansion of Pryor facility.
- Complete new nitric acid plant at El Dorado.
- Addition of an ammonia plant at El Dorado facility.
- Other major capital projects (other than maintenance projects):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

Key Capital Projects

El Dorado Ammonia Production Offers Attractive Economics

Reduced Production Costs

- Will change with market conditions



Additional Capacity

- Currently use \approx 220,000 TPY
- Planned capacity \approx 375,000 TPY
- Additional Capacity \approx 155,000 TPY

Access to Ammonia Pipeline Provides Efficient Access to Market

El Dorado Nitric Acid Plant Increases Capacity and Operating Efficiencies

Additional Capacity

- DSN capacity was \approx 90,000 TPY
- Weatherly capacity \approx 370,000 TPY
- Additional Capacity \approx 280,000 TPY

Operating Efficiencies

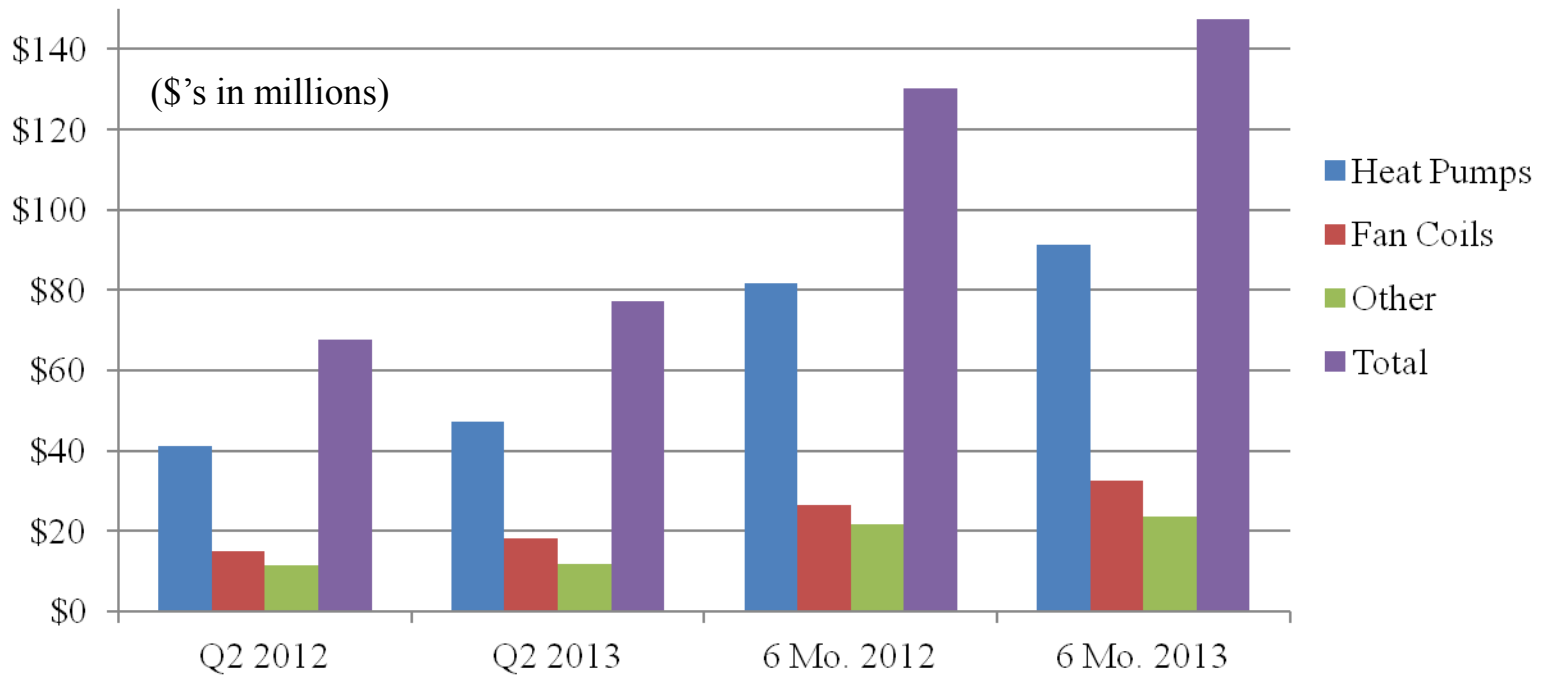
- Higher ammonia conversion rates
- Higher energy efficiency
- Lower maintenance costs
- Higher reliability

Pryor Ammonia Converter Plant Eliminates Bottleneck and Increases Capacity

Additional Capacity

- Previous capacity was \approx 500 TPD
- New capacity \approx 700 TPD
- Additional Capacity \approx 66,000 TPY
- Higher energy efficiency and reliability

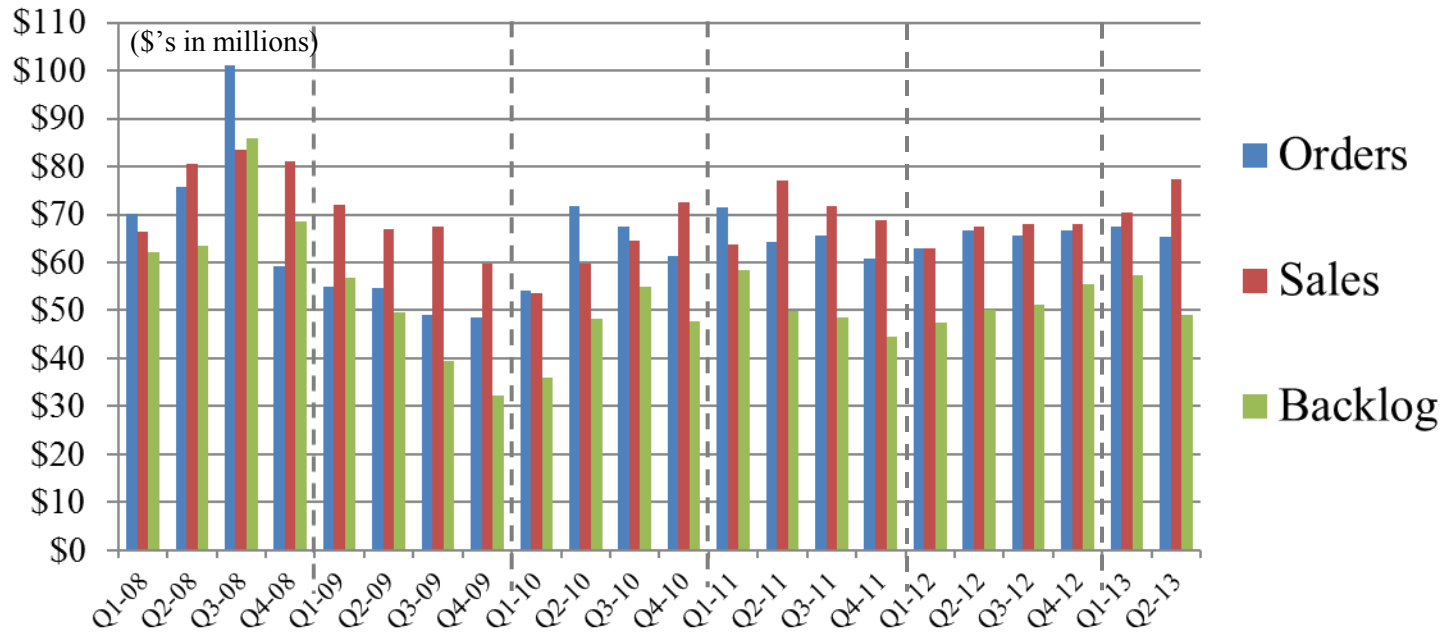
Climate Control Sales



Changes from 2012 to 2013	Heat Pumps	Fan Coils	Other	Total
Second Quarter	15%	23%	2%	15%
Six Months	12%	23%	8%	13%

- Sales in all product categories were up in Q2 2013 vs. Q2 2012.

Climate Control Orders, Sales & Backlog

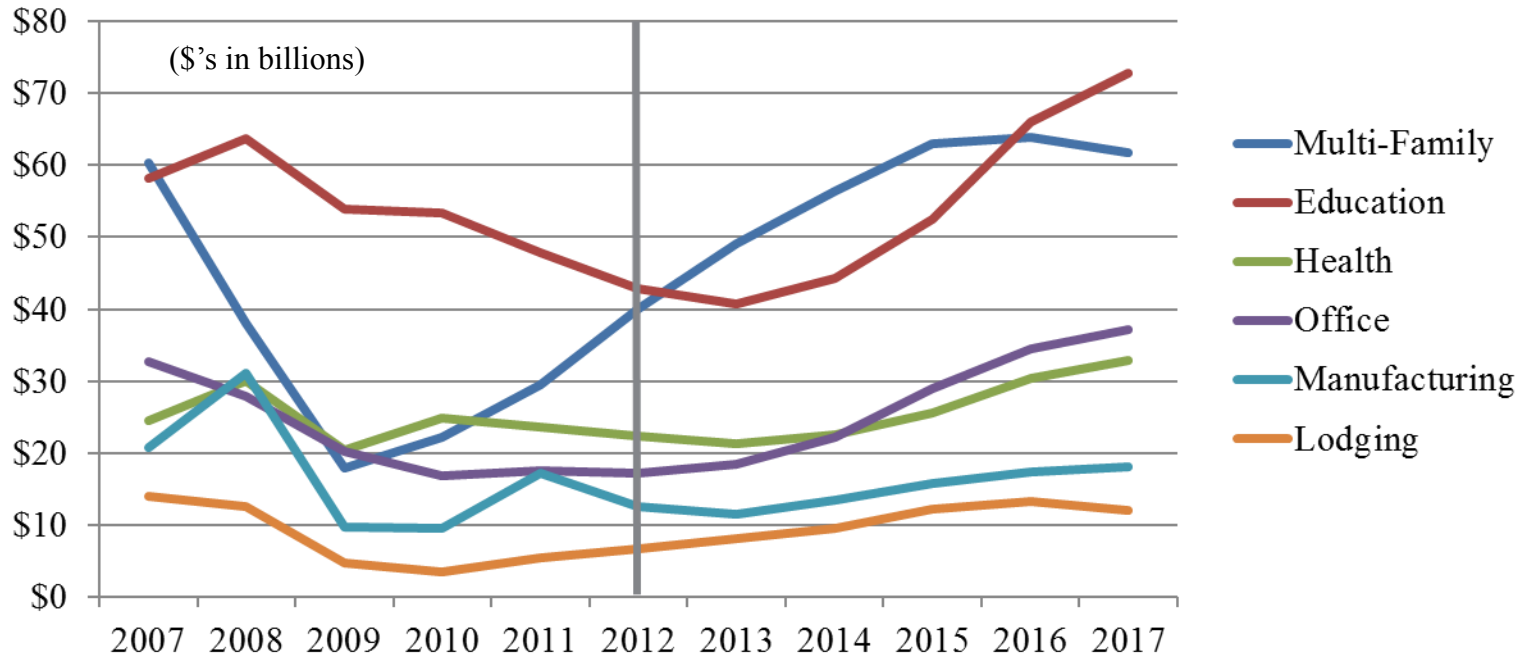


Changes from 2012 to 2013	Commercial & Institutional	Single Family Residential	Total
Q2 New Orders	(2%)	(2%)	(2%)
Q2 Sales	16%	8%	15%
Year-to-date Orders	2%	4%	3%
Year-to-date Sales	17%	(5%)	13%
Ending Backlog at 6-30	(6%)	59%	(3%)

Climate Control Market Outlook

Commercial & Institutional Construction Awards

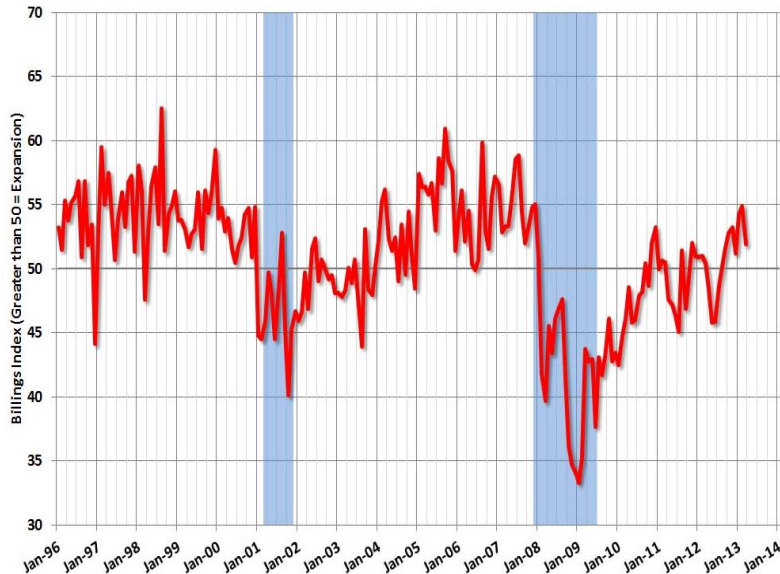
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q3 2013



- 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 66%.

Climate Control Market Outlook

June 2013 Architectural Billings Index = **51.6**



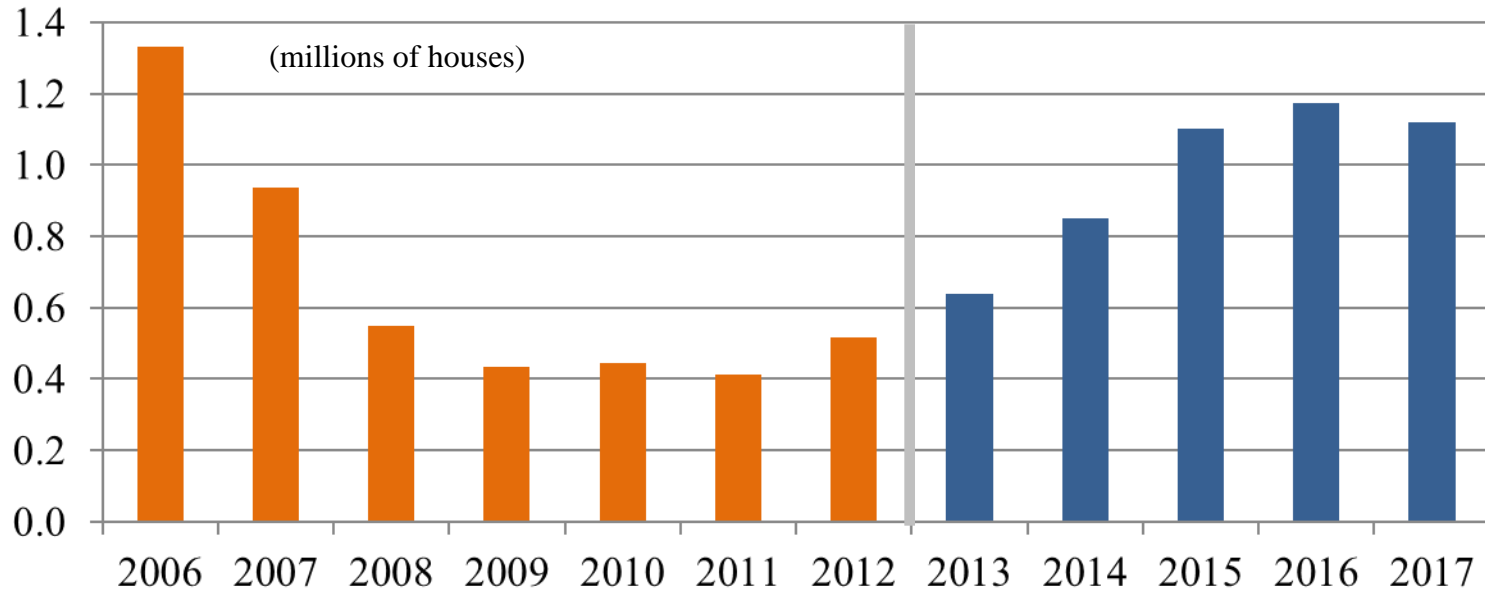
The Architectural Billings Index (ABI), produced by the American Institute of Architects (AIA) Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings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

- **The Architecture Billings Index (ABI) remained positive again in June after the first decline in ten months in April.**
- **“With steady demand for design work in all major nonresidential building categories, the construction sector seems to be stabilizing,”** said AIA Chief Economist, Kermit Baker. “Threats to a sustained recovery include construction costs and labor availability, inability to access financing for real estate projects, and possible adverse effects in the coming months from sequestration and the looming federal debt ceiling debate.”

Climate Control Market Outlook

Single Family Residential Construction Starts

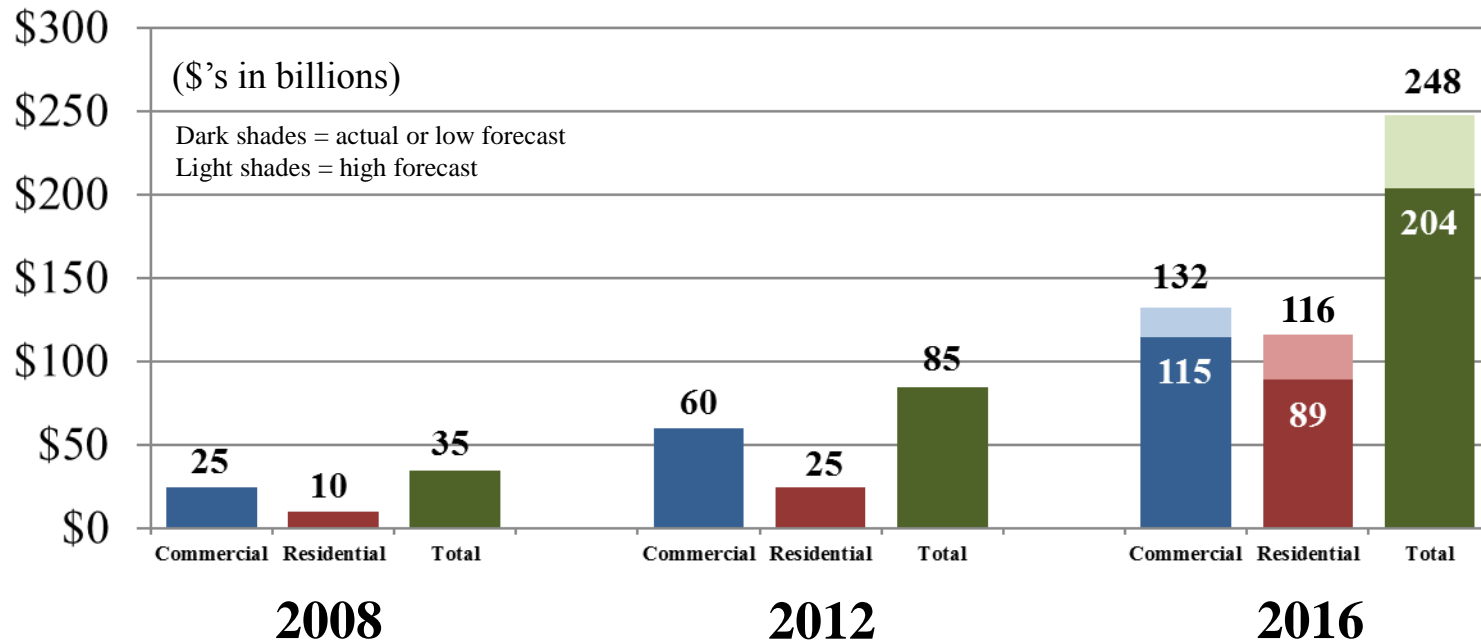
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q3 2013



- Single family residential, all geothermal heat pumps, accounted for approximately 18% of all Climate Control sales during 2012.
- This market is expected to double by 2015.
- 30% Federal tax credits should positively impact sales of geothermal products.

Climate Control Market Outlook

Green Construction Market Forecast 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 and operational excellence 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 6-30		Six months ended 6-30	
	2012	2013	2012	2013
Net income (loss)	\$ 26.0	\$ 7.5	\$ 40.3	\$ 7.4
Plus:				
Interest expense	1.2	0.5	2.3	1.3
Depreciation and amortization	5.1	6.5	10.1	13.1
Provisions for income taxes	15.5	4.4	23.3	3.6
Loss from discontinued operations	0.0	0.0	0.1	0.0
EBITDA per conference call	\$ 47.8	\$ 18.9	\$ 76.1	\$ 25.4
Climate Control Business				
Operating income (loss)	\$ 7.3	\$ 9.5	\$ 13.1	\$ 15.8
Plus:				
Equity in earnings of affiliate	0.1	0.1	0.4	0.4
Depreciation and amortization	0.6	0.7	1.2	1.3
EBITDA per conference call	\$ 8.0	\$ 10.3	\$ 14.7	\$ 17.5
Chemical Business				
Operating income (loss)	\$ 39.1	\$ 6.4	\$ 59.5	\$ 2.6
Plus:				
Depreciation and amortization	4.0	5.3	8.0	10.8
EBITDA per conference call	\$ 43.1	\$ 11.7	\$ 67.5	\$ 13.4

Note: Please refer to the Company's Form 10-Q for the six months ended June 30, 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.

Investor Relations:

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