

## **LSB INDUSTRIES, INC. REPORTS RESULTS FOR THE 2010 SECOND QUARTER**

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OKLAHOMA CITY, Oklahoma...August 6, 2010... LSB Industries, Inc. (NYSE: LXU) announced today results for the second quarter ended June 30, 2010.

### **Second Quarter 2010 Financial Highlights Compared to Second Quarter 2009:**

- Net sales were \$168.4 million, a 21.5% increase from \$138.6 million;
- Operating income was \$12.8 million compared to \$14.5 million;
- Net income was \$6.0 million compared to \$8.7 million;
- Net income applicable to common shareholders was \$6.0 million compared to \$8.7 million;
- Diluted earnings per common share were \$0.27 compared \$0.38.

### **First Six Months 2010 Financial Highlights Compared to First Six Months 2009:**

- Net sales were \$298.8 million, a 3.5% increase from \$288.8 million;
- Operating income was \$17.2 million compared to \$34.0 million;
- Net income was \$7.7 million compared to \$20.5 million;
- Net income applicable to common shareholders decreased to \$7.4 million from \$20.2 million;
- Diluted earnings per common share were \$0.35 compared to \$0.89.

### **Discussion of Second Quarter of 2010:**

The 21.5% increase in net sales was the result of a 52.2% increase in Chemical Business net sales partially offset by a 10.7% decline in Climate Control net sales. The upturn in Chemical Business sales includes higher sales volume in all major product lines – agricultural products, industrial acids and mining products, plus an increase in selling prices primarily driven by higher raw material input costs. The decline in Climate Control sales relates to the continued weakness in commercial and institutional construction.

The 11.9% decline in consolidated operating income includes:

- a 42.8% decline in Climate Control operating income primarily due to lower sales and higher material costs, partially offset by a decrease in operating expenses;
- a 48.1% net increase in Chemical Business operating income resulting from increased sales volume in the agricultural, industrial and mining products, including sales of \$5.7 million generated by the Pryor, OK facility ("Pryor Facility"). Pryor incurred operating losses of \$2.0 million for the second quarter 2010 compared to \$3.2 million of start-up expenses in the same quarter 2009.

Climate Control Business:

Jack Golsen, LSB's Board Chairman and CEO stated, "We are seeing positive signs in our Climate Control Business. New orders for the three months ended June 30, 2010 represent the second sequential quarter of increased bookings. Bookings of new products were \$71.7 million compared to \$54.7 million in the second quarter of 2009 and \$54.2 million for the first quarter of 2010. Bookings of residential and commercial products increased 48% and 26%, respectively, compared to the second quarter of 2009.

"Our Climate Control backlog continues to move in the right direction, with sequential quarterly improvement since year-end 2009. At mid-year 2010, backlog was \$48.2 million compared to \$36.0 million at March 31, 2010, \$32.2 million at December 31, 2009 and is just shy of the \$49.5 million in backlog at June 30, 2009."

He noted, "We believe our aggressive advertising and market campaign and the enactment of federal tax credits for GHPs continue to have a positive impact on orders of those highly energy efficient and green products."

### **Chemical Business:**

Mr. Golsen continued, "We are naturally pleased by the increased sales volumes in our major Chemical markets and we anticipate continued market strength for the balance of the year. Due to a previously disclosed pipe rupture and resulting fire that damaged the Pryor Facility ammonia plant's primary reformer, the Pryor Facility is unable to produce anhydrous ammonia and urea ammonia nitrate ("UAN") which was a setback, but we believe that we are on track to complete repairs toward the end of September 2010. Our insurance provides for replacement coverage relating to property damage with a \$1 million deductible and business interruption coverage for certain lost profits and extra expense with a 30-day waiting period and \$250,000 deductible."

### **Balance Sheet & Outlook:**

Mr. Golsen noted, "Our financial position remains strong. We closed the second quarter with a working capital ratio of 3.2 to 1 and a long-term debt to equity ratio of .65 to 1. During the second quarter, we purchased 177,100 shares of our common stock for an aggregate purchase price of \$2.4 million. Also during the second quarter, we purchased \$2.5 million face value of our Debentures that are due in 2012 at approximately face value, leaving \$26.9 million outstanding at June 30, 2010. We closed the second quarter with over \$65 million in cash and cash equivalents."

### **Conference Call**

LSB's management will host a conference call covering the second quarter results on Friday, August 6, 2010 at 2:00 ET/1:00 CT to discuss these results and recent corporate developments. Participating in the call will be CEO, Jack E. Golsen; President and COO, Barry H. Golsen; and Executive Vice President and CFO, Tony M. Shelby. Interested parties may participate in the call by dialing 706-679-3079. Please call in ten minutes before the conference is scheduled to begin and ask for the LSB conference call.

To listen to a webcast of the call, please go to the Company's website at [www.lsb-okc.com](http://www.lsb-okc.com) at least 15 minutes before the conference call to download and install any necessary audio software. If you are unable to listen live, the conference call webcast will be archived on the Company's website. We suggest listeners use Microsoft Explorer as their web browser.

### **LSB Industries, Inc.**

LSB is a manufacturing, marketing and engineering company. LSB's principal business activities consist of the manufacture and sale of commercial and residential climate control products, such as geothermal and water source heat pumps, hydronic fan coils, large custom air handlers; the manufacture and sale of chemical products for the mining, agricultural and industrial markets; and the provision of specialized engineering services and other activities.

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. These forward-looking statements generally are identifiable by use of the words "believe," "expects," "intends," "anticipates," "plans to," "estimates," "projects" or similar expressions, and such forward-looking statements include, but are not limited to, positive impact on orders for highly efficient and green products; with respect to our Chemical Business, that we anticipate continued market strength for the balance of the year; that we are on track to complete the repairs to the Pryor Facility toward the end of September 2010. Investors are cautioned that such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from the forward-looking statements as a result of various factors, including, but not limited to, general economic conditions, effect of the recession on the commercial and residential construction industry, acceptance by the market of our geothermal heat pump products, acceptance of our technology, changes to federal legislation or adverse regulations, available working capital, ability to install necessary equipment and renovations at the Pryor facility in a timely manner, ability to finance our investments, and other factors set forth under "A Special Note Regarding Forward-Looking Statements", a discussion of a variety of factors which could cause the future outcome to differ materially from

the forward-looking statements contained in this letter contained in the Form 10-K for year ended December 31, 2009, and the Form 10Qs for the quarters ended March 31, 2010 and June 30, 2010.

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**See Accompanying Tables**

[For full release including financial tables](#)