

LSB Industries, Inc.

2013 Third Quarter Results
November 6, 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

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 for investor growth and McGraw-Hill forecasts regarding the total green retrofit renovation markets and energy efficiency markets, any references to coal production, polyurethane production capacity growth, US pipe production or basic inorganic chemical trends. The forward-looking statements include but are not limited to the following statements – Our actions will ultimately enable this facility to deliver sustained production and substantial profitability; we expect to have the plants fully installed and operating by late 2015; Pryor is expected to be in production during November 2013; projects will provide El Dorado with expanded capacity, improved efficiency, product mix flexibility and should result in a significant reduction of feedstock costs; we believe our actions will lead us to a significantly improved financial performance for 2014; our capital spending plan; positive fundamentals and favorable indicators for the ag business; effect of lowering the ethanol mandate or corn production; El Dorado's nitric acid capacity will continue at current level until we complete construction of a new Weatherly 65% acid plant and concentrator during 2015; we anticipate issuance of the permit in the near future; we plan to have the ammonia plant constructed and in operation during the latter part of 2015; we plan to replace the DSN direct strong nitric acid plant in EDC; level of industrial and mining sales; timing and or completion of planned initiatives; capacities, savings and/or efficiencies expected from capital projects; recovery in commercial and institutional new construction will continue; increase in green construction should benefit the sale of our highly energy-efficient products.

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, June 30, 2013 and September 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 Q3-2013 conference call presentation which is posted on our website.

Overview

- Consolidated net sales for Q3 2013 were \$177.4 million, 3% below \$182.4 million reported in Q3 2012. There was a \$6.0 million decline in our Chemical Business, partially offset by a \$1.9 million increase in our Climate Control Business.
- Earnings per share for Q3 2013 were \$0.43 compared to \$0.28 for Q3 2012.
- All chemical facilities other than Pryor are currently operational, except 20% of El Dorado's pre-May 2012 nitric acid capacity.
- Pryor facility operated at near design rates for much of the third quarter. It is currently undergoing maintenance activities and is expected to be online in November. New diagnostic systems are effective. Much progress has been made improving equipment, processes, procedures and management team.
- We are planning an ammonia plant, a new nitric acid plant and concentrator for our El Dorado facility, all estimated to be complete during late 2015.
- We concluded insurance claims related to our El Dorado facility which will be recorded during the fourth quarter. Cherokee claims are still under discussion.
- Improvement in our Climate Control Business has been driven by increased construction activity in our commercial and institutional end markets.
- With our Chemical facilities back in operation, and a gradual recovery underway in our Climate Control end markets, we expect improved results as we go forward.

LSB Consolidated Financial Results

Third Quarter Highlights

<i>\$ in millions except per share amounts</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2013	Change	2012	2013	Change
Net Sales	\$182.4	\$177.4	(\$5.0)	\$581.9	\$530.3	(\$51.6)
Operating Income	\$11.9	\$23.1	\$11.2	\$77.3	\$35.1	(\$42.2)
% of net sales	6.5%	13.0%	6.5%	13.3%	6.6%	(6.7%)
Net Income	\$6.7	\$10.3	\$3.6	\$47.0	\$17.6	(\$29.4)
% of net sales	3.7%	5.8%	2.1%	8.1%	3.3%	(4.8%)
Diluted EPS	\$0.28	\$0.43	\$0.15	\$2.00	\$0.75	(\$1.25)
Cash Flow Provided by Operations	\$16.9	\$38.4	\$21.5	\$73.4	\$45.3	(\$28.1)
EBITDA	\$16.8	\$29.0	\$12.2	\$93.0	\$54.4	(\$38.6)
Cash, Restricted Cash and Investments as of 9-30,	\$133.8	\$419.7	\$285.9	\$133.8	\$419.7	\$285.9

Third Quarter:

- Sales down 3%
- Operating income up 95%
- EPS = \$0.43
- EBITDA = \$29.0 million

Nine Months:

- Sales down 9%
- Operating income down 55%
- EPS = \$0.75
- EBITDA = \$54.4 million

Chemical Business

Third Quarter Highlights

<i>\$ in millions</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2013	Change	2012	2013	Change
Net Sales	\$110.2	\$104.2	(\$6.0)	\$372.6	\$303.0	(\$69.5)
Gross Profit	\$11.3	\$24.6	\$13.3	\$78.8	\$39.1	(\$39.7)
% of net sales	10.2%	23.6%	13.4%	21.1%	12.9%	(8.2%)
Operating Income	\$7.5	\$17.7	\$10.2	\$67.0	\$20.3	(\$46.8)
% of net sales	6.8%	17.0%	10.2%	18.0%	6.7%	(11.3%)
EBITDA	\$11.2	\$23.5	\$12.3	\$78.7	\$36.9	(\$41.8)
Capital Expenditures	\$27.2	\$38.7	\$11.5	\$54.9	\$117.4	\$62.5

- Sales were down in the third quarter due to decreased demand for mining products and market pricing.
- Gross profit, operating income and EBITDA increased for the Q3 2013 compared to Q3 2012 due to increased on-stream production, precious metals recoveries and business interruption insurance recoveries.
- For the nine months, sales, gross profit, operating income and EBITDA were down due to significant downtime at our facilities during the first half of 2013.

Climate Control Business

Third Quarter Highlights

<i>\$ in millions</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2013	Change	2012	2013	Change
Net Sales	\$68.0	\$69.9	\$1.9	\$198.3	\$217.5	\$19.2
Gross Profit	\$20.5	\$23.2	\$2.7	\$60.9	\$70.6	\$9.7
% of net sales	30.1%	33.2%	3.1%	30.7%	32.4%	1.7%
Operating Income	\$6.9	\$8.5	\$1.7	\$20.0	\$24.4	\$4.4
% of net sales	10.1%	12.2%	2.1%	10.1%	11.2%	1.1%
EBITDA	\$7.7	\$9.3	\$1.7	\$22.4	\$26.9	\$4.5
Capital Expenditures	\$1.8	\$1.8	(\$0.1)	\$3.8	\$5.4	\$1.6

- Sales were 3% above Q3 2012, 10% above the first nine months of 2012.
- Sales of commercial products increased year-over-year. Sales of residential products improved over Q3 of last year and are on par 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	September 30, 2013
Cash (including restricted cash and investments)	\$98.1	\$419.7
Total Debt (interest bearing)	\$72.4	\$467.5
Cash in Excess of Debt	\$25.6	(\$47.8)
Stockholders' Equity	\$354.5	\$374.3
Interest Coverage Ratio	27.7x	8.2x

(A) As of September 30, 2013, total debt consisted of \$425.0 million of senior secured notes due in August 2019, \$31.2 million secured promissory note due in February 2016 and \$11.3 million of other loans. Our availability under the \$100.0 million working capital revolver loan was \$63.3 million.

Three Year Capital Expenditure Plan

<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, are subject to change, and include amounts invested to date for various projects.

Where Our Products Go

Q3 2013 YTD Sales Mix

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



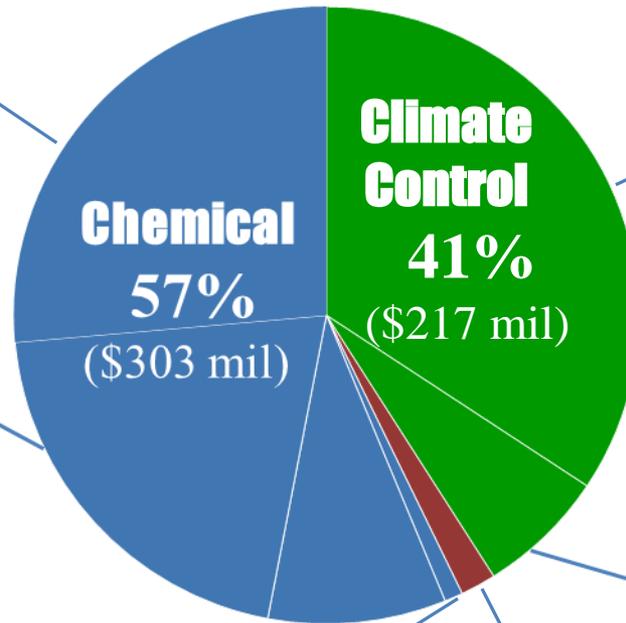
26% Agriculture



21% Industrial Acids & Ammonia



9% Mining



34% Commercial & Institutional Buildings



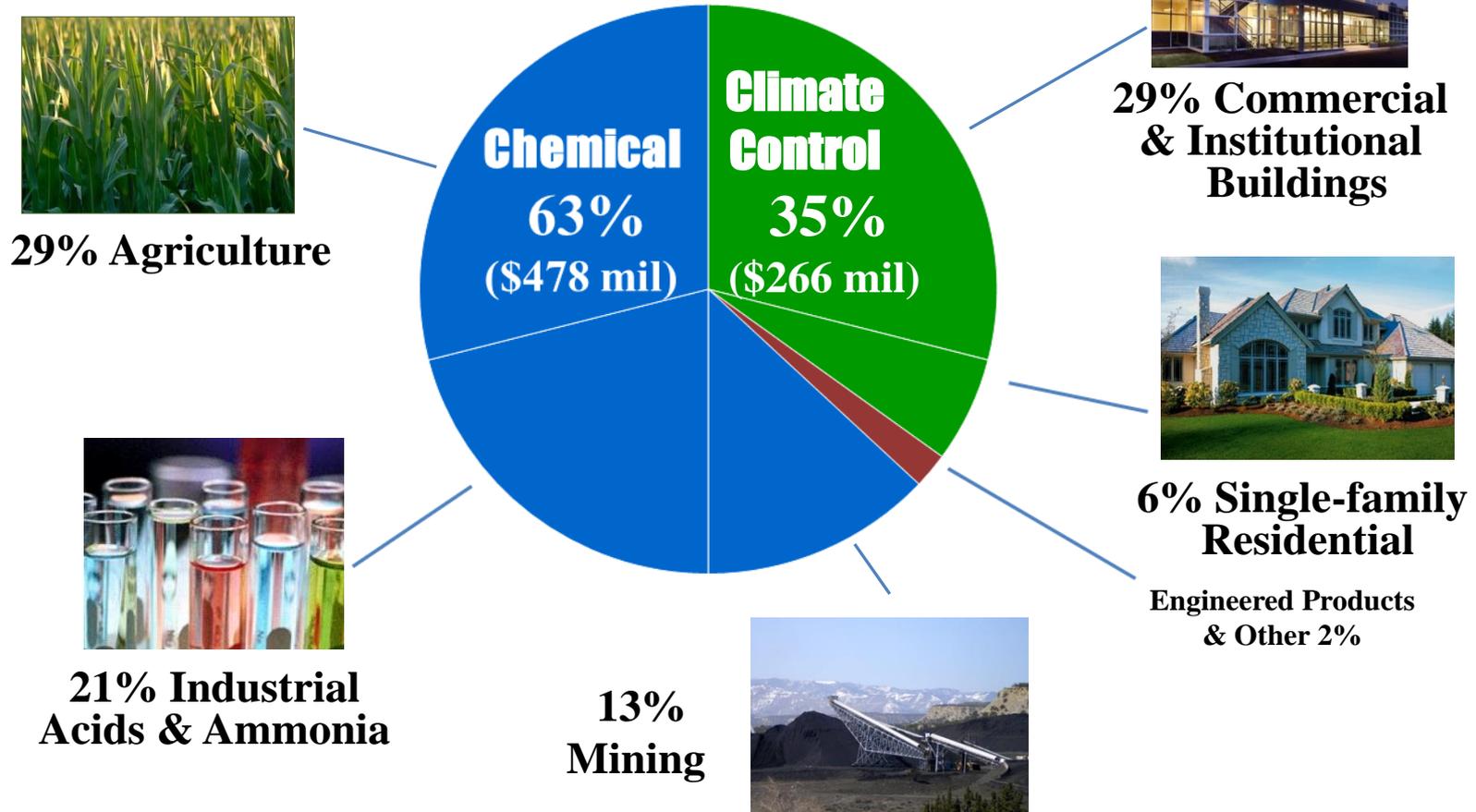
7% Single-family Residential

1% Natural Gas

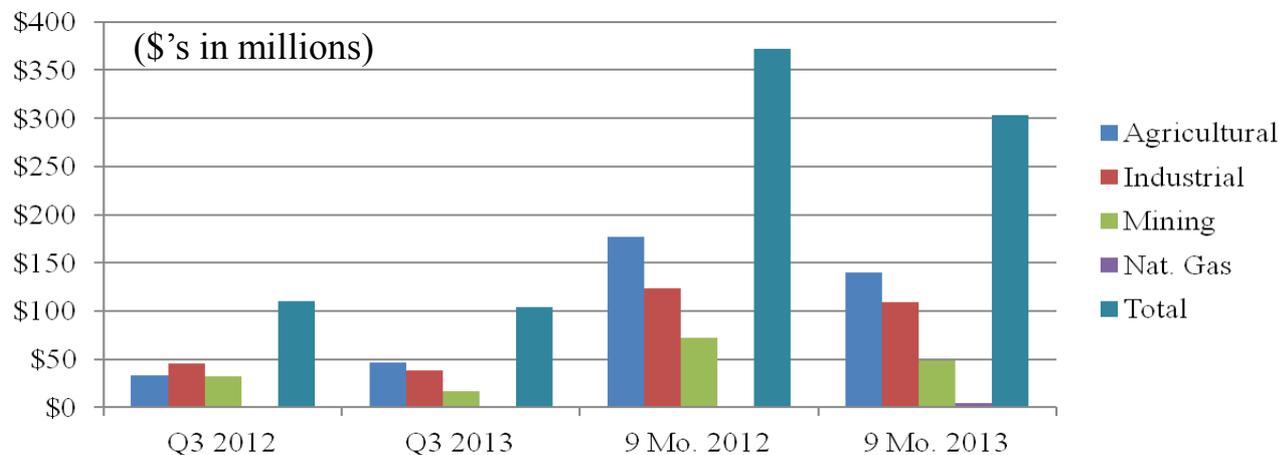
2% Engineered Products & Other

Where Our Products Go

2012 Full Year Sales Mix



Chemical Sales

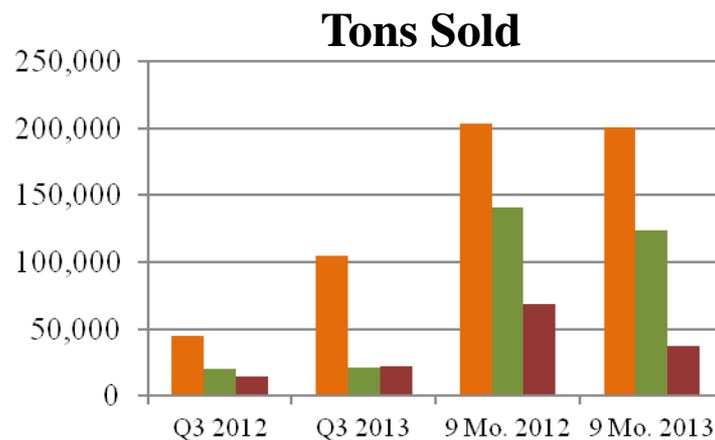
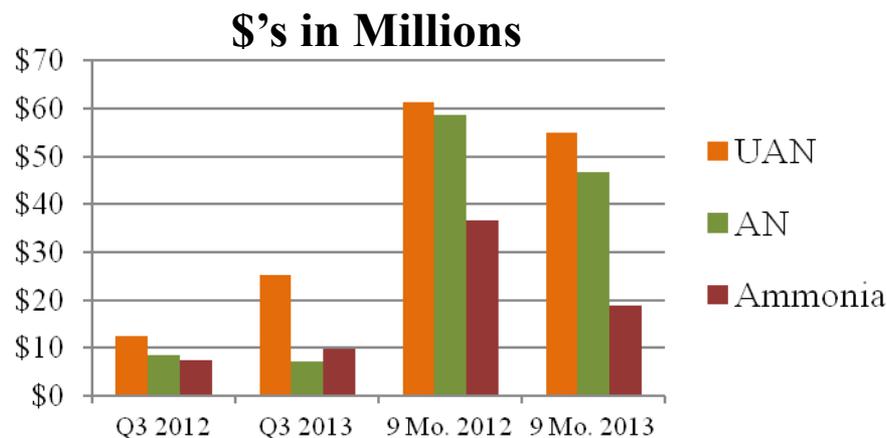


Changes from 2012 to 2013	Agricultural Products	Industrial Acids	Mining Products	Natural Gas	Total
Third Quarter	40%	(14%)	(45%)	N/A	(5%)
Nine Months	(21%)	(11%)	(32%)	N/A	(19%)

- Agricultural sales for the third quarter were up due to less downtime than the 2012 quarter, partially offset by lower market prices.
- Industrial acids had lower pricing, driven by lower pass-through feedstock costs, and mining products decreased due to lower customer demand.
- Sales for the nine month period for all products were lower due to downtime at our production facilities, lower pricing and lower demand for mining products.

Chemical Key Product Sales

Agricultural

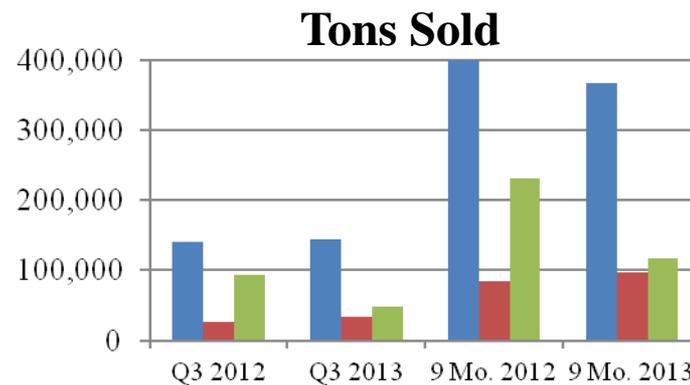
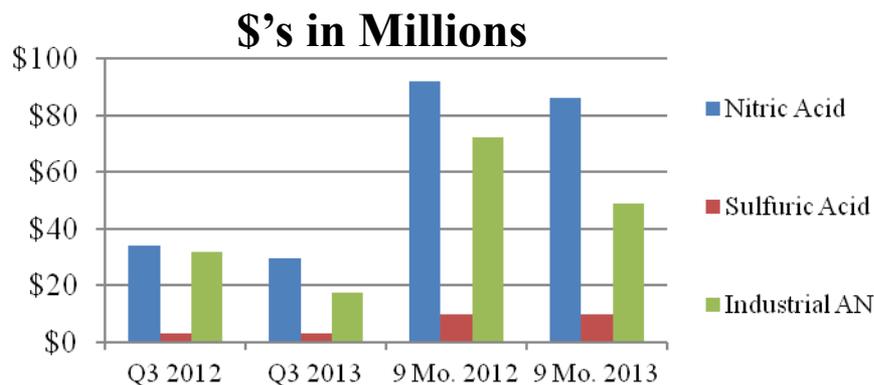


Changes from 2012 to 2013	UAN		AN		Ammonia	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Third Quarter	102%	134%	(16%)	3%	32%	52%
Nine Months	(11%)	(1%)	(20%)	(12%)	(48%)	(46%)

- Third quarter UAN and ammonia sales and tons were higher as a result of less downtime at Cherokee and Pryor. AN sales decreased due to lower market prices.
- For the nine months, sales for all products decreased due to lower market prices, less demand for AN, and lower ammonia volume due to plant downtime.

Chemical Key Product Sales

Industrial Acids & Mining

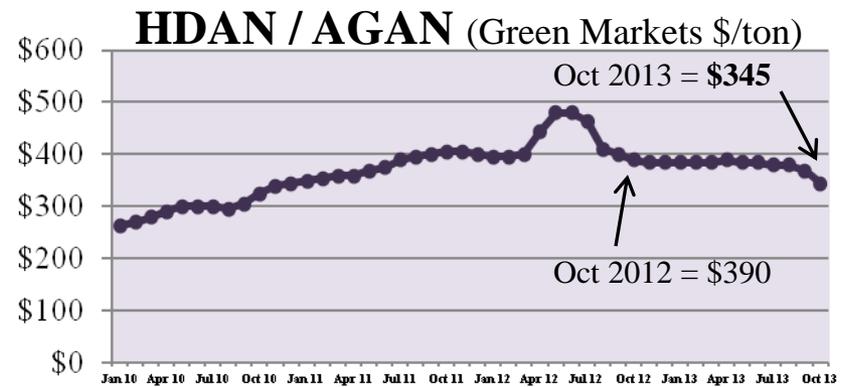
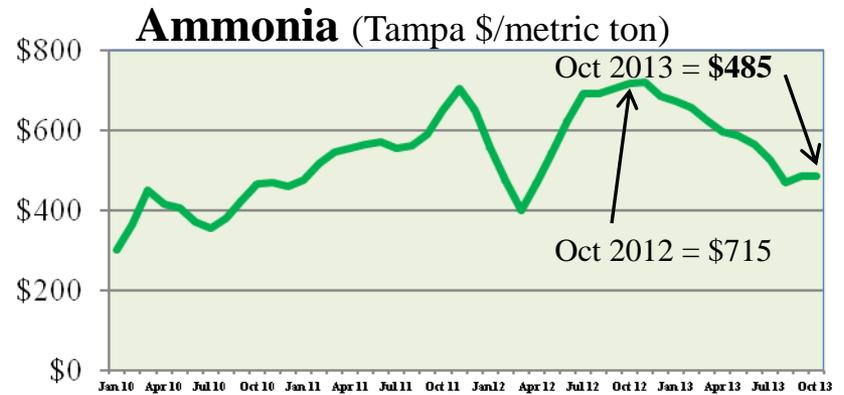
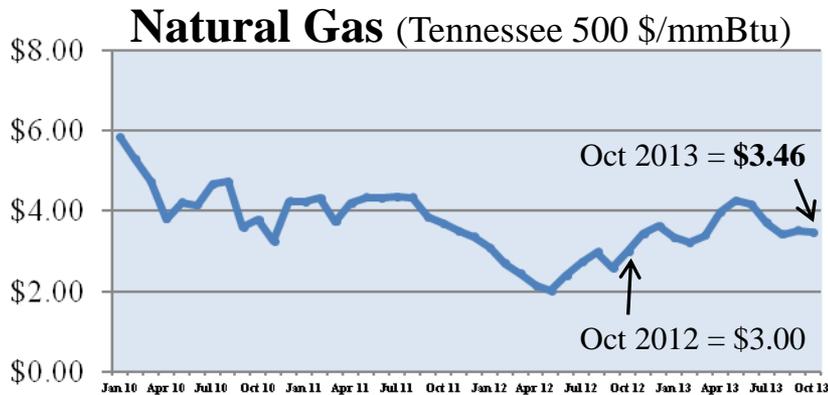


Changes from 2012 to 2013	Nitric Acid		Sulfuric Acid		Industrial AN	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Third Quarter	(13%)	3%	3%	33%	(45%)	(48%)
Nine Months	(7%)	(8%)	(2%)	16%	(32%)	(49%)

- Nitric acid sales were down during Q3 2013 due to pricing and down for the nine month period due to planned maintenance turnaround at the Baytown, TX facility, during Q1 2013.
- Sulfuric acid tons were up during the 2013 periods as the 2012 periods 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 lower demand for mining products and downtime at Cherokee.

Chemical Commodity Prices

Feedstocks & End Products



Chemical Market Outlook

Agricultural

Favorable Indicators:

- ✓ Grain stock-to-use ratios low
(Source: USDA WASDE report, 09-12-13 for crop year 2012/13)
 - US Corn = 5.6%
 - World Corn = 12.4%
 - World Wheat = 20.3%
- ✓ Planting levels high
- ✓ Crop prices favorable to growers
- ✓ Fertilizer demand strong
- ✓ Natural gas feedstock cost low

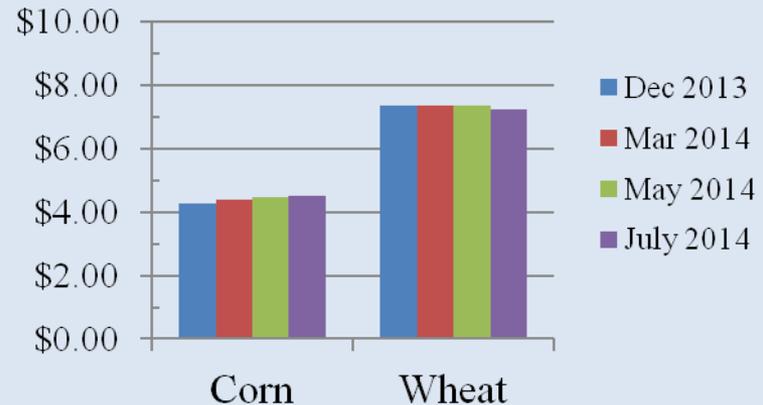
Fertilizer Prices:

- ✓ Lower than a year ago

Wild Cards:

- Weather conditions
- Ethanol production

Forward Crop Prices / Bushel



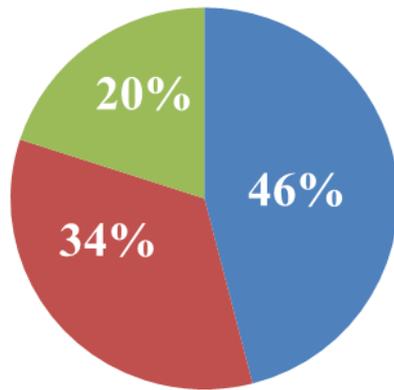
Sources:

Corn: Chicago Board of Trade 11-01-13 close
Wheat: Kansas City Board of Trade 11-01-13 close

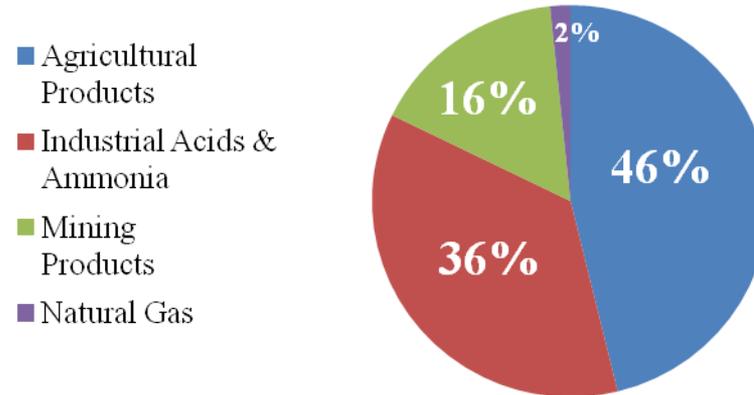
Chemical Market Outlook

Industrial & Mining Sales by Sector

2012 Full Year



2013 Q3 YTD

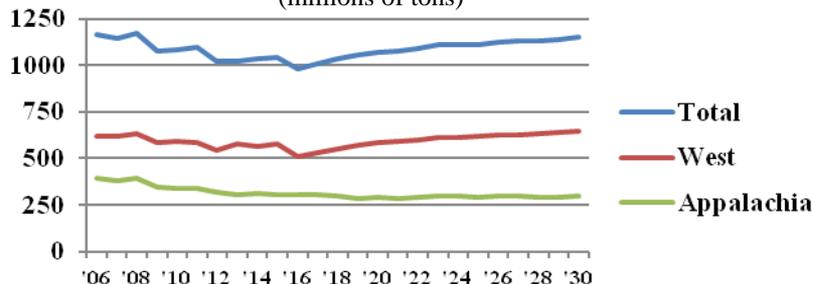


- 52% of our Chemical sales during 2013 were industrial and mining products used in North America.
- Most industrial and mining sales are contractual with *cost plus* and/or *minimum take* provisions.
- Industrial and mining sales are expected to be a lower percentage going forward until the new acid plant is constructed and in operation at our El Dorado facility.

Chemical Market Outlook: Industrial & Mining

Coal Production Projections

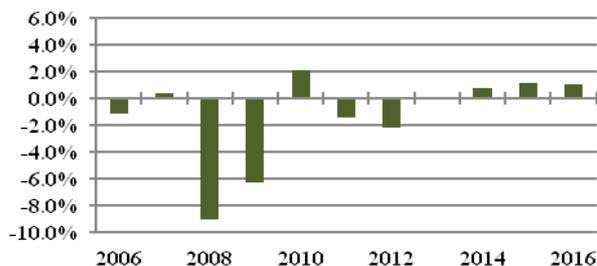
Source: Dept. of Energy – Energy Information Agcy.
2013 Annual Energy Outlook & Short-Term Energy Outlook
(millions of tons)



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

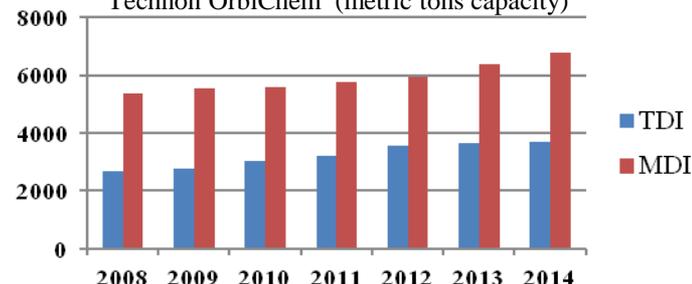
Source: American Chemistry Council
Year End 2012 Situation & Outlook (% change, Y/Y)



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

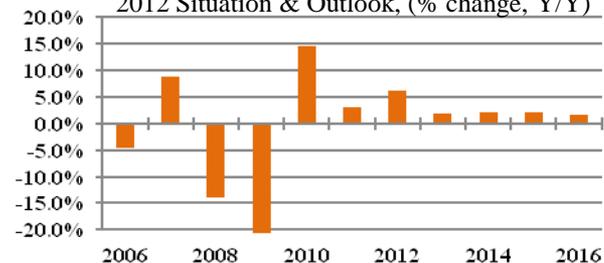
Source: Transparency Market Research *
Technon OrbiChem (metric tons capacity)



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 strong recovery in 2010 and a good year this past 2012, the sector is expected to grow 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
 - Operated at near design production levels during Q3 with intermittent equipment issues
 - Currently undergoing maintenance – expected to return to production in November.
- **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

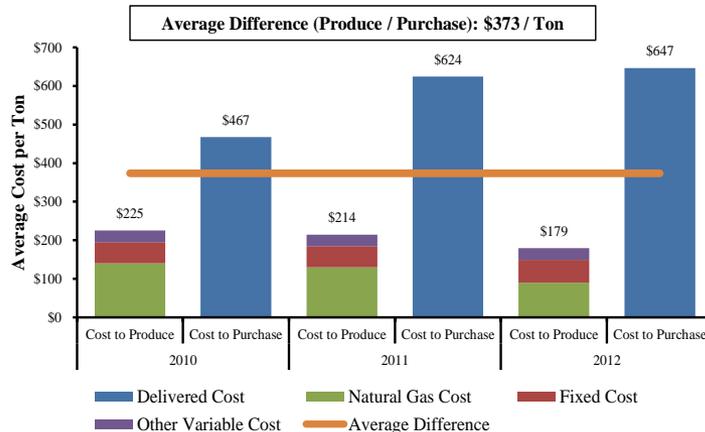
- Enhanced PSM programs.
- Optimize all facility production rates of plants currently on-line.
- Complete expansion of Pryor facility.
- Complete new nitric acid plant at El Dorado.
- Addition of an ammonia plant at El Dorado facility.
- Other major capital projects (other than maintenance projects): 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 – current savings are \approx \$300 per ton.



Additional Capacity

- Historical 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

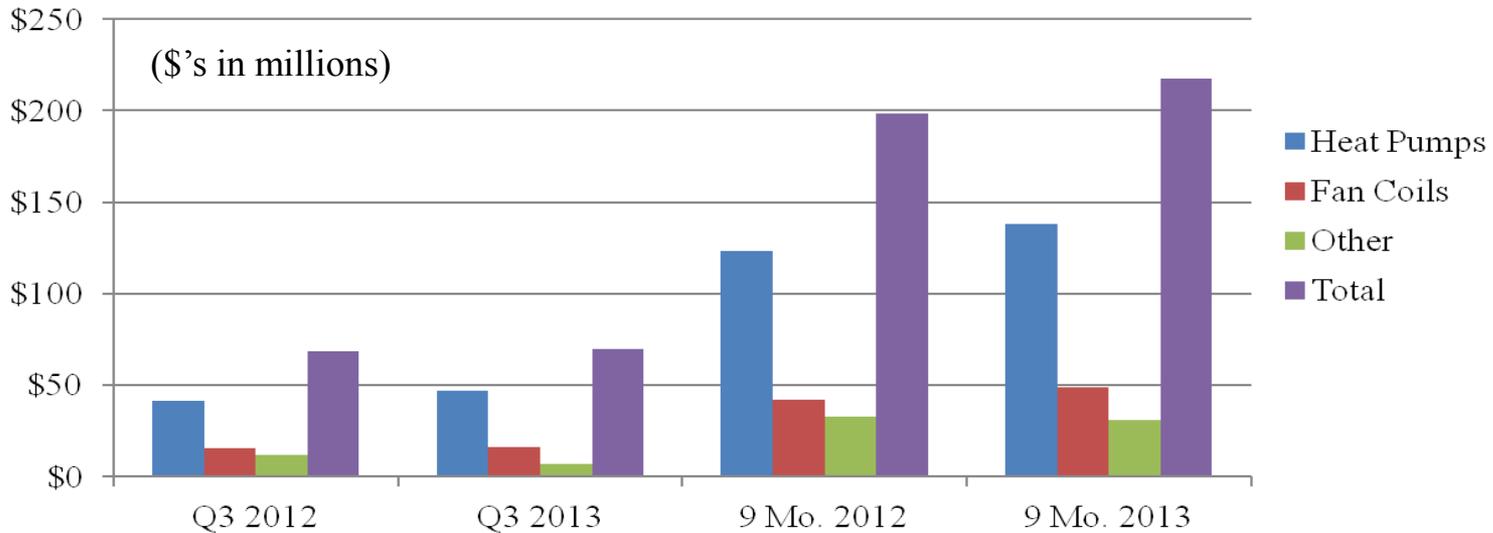
Operating Efficiencies

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

Focused On

- **Plant Safety**
- **Reliability**

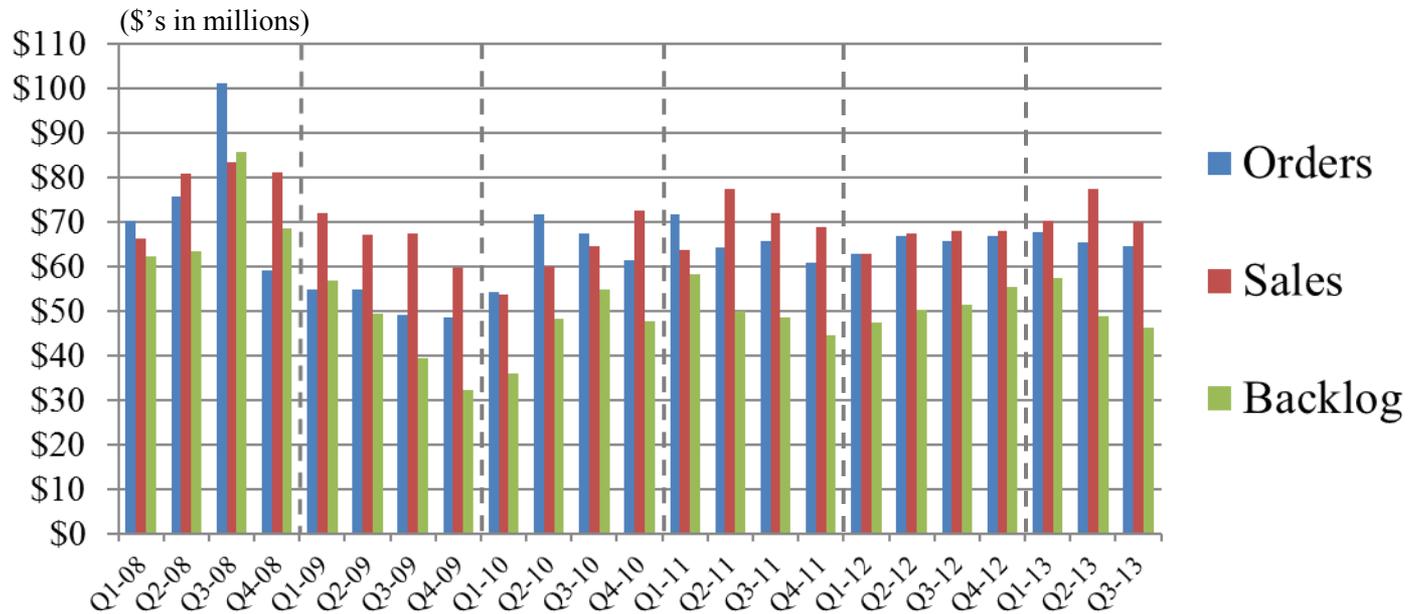
Climate Control Sales



Changes from 2012 to 2013	Heat Pumps	Fan Coils	Other	Total
Third Quarter	12%	3%	(35%)	3%
Nine Months	12%	15%	(6%)	10%

- Sales of water source heat pumps, fan coils and chillers (in “Other”) were up in 2013 vs. 2012 due to increased construction in commercial sectors.
- Sales of large custom air handlers and engineering and construction services were down in 2013 vs. 2012.

Climate Control Orders, Sales & Backlog

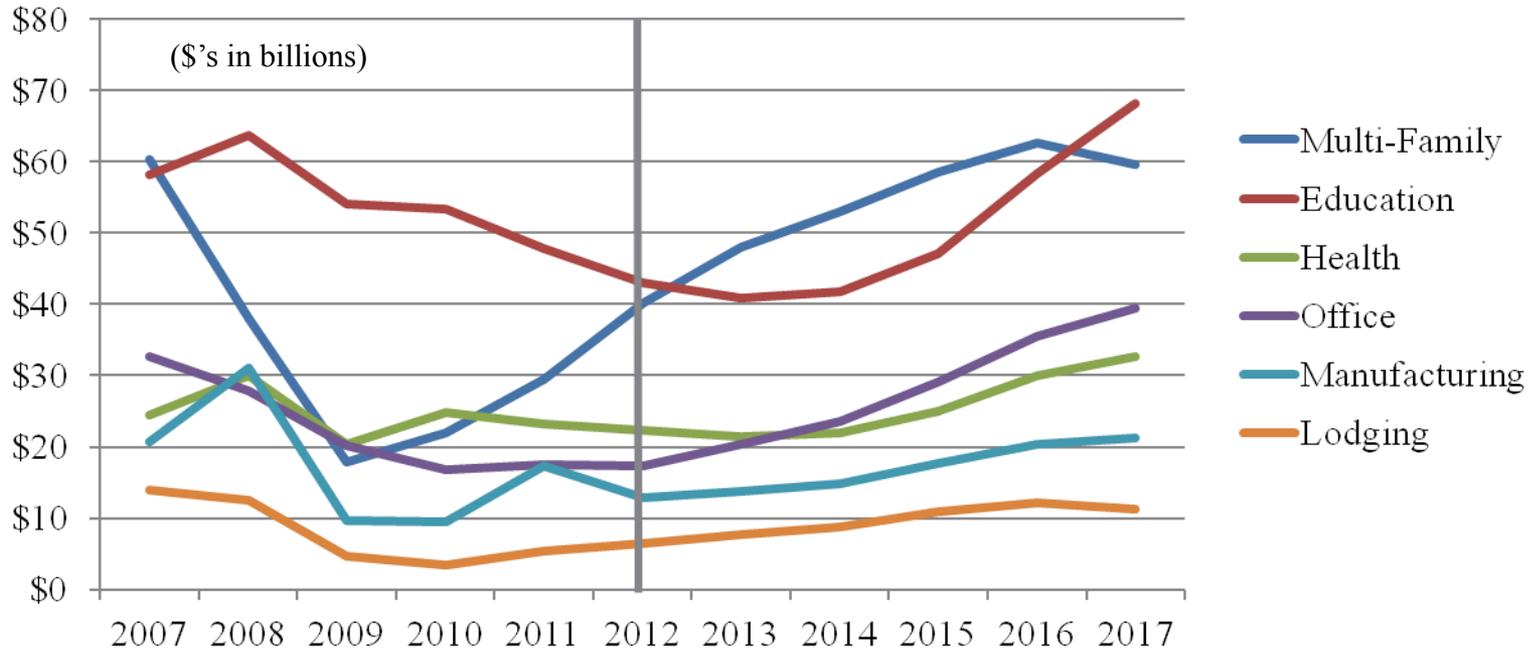


Changes from 2012 to 2013	Commercial & Institutional	Single Family Residential	Total
Q3 New Orders	(1%)	(3%)	(2%)
Q3 Sales	1%	10%	3%
Nine Months Orders	1%	2%	1%
Nine Months Sales	12%	0%	10%
Ending Backlog at 9-30	(11%)	9%	(10%)

Climate Control Market Outlook

Commercial & Institutional Construction Awards

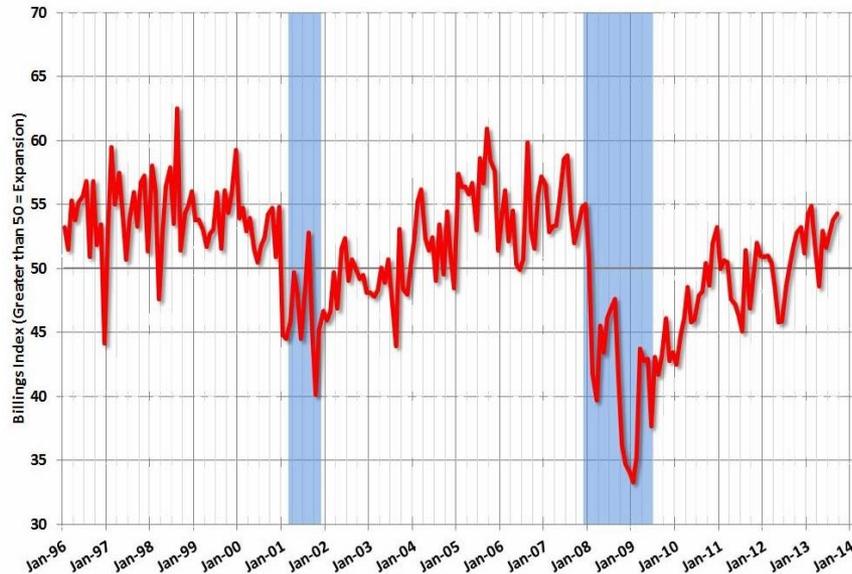
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q4 2013



- 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 63%, a slight decline from last quarter.

Climate Control Market Outlook

September 2013 Architectural Billings Index = **54.3**



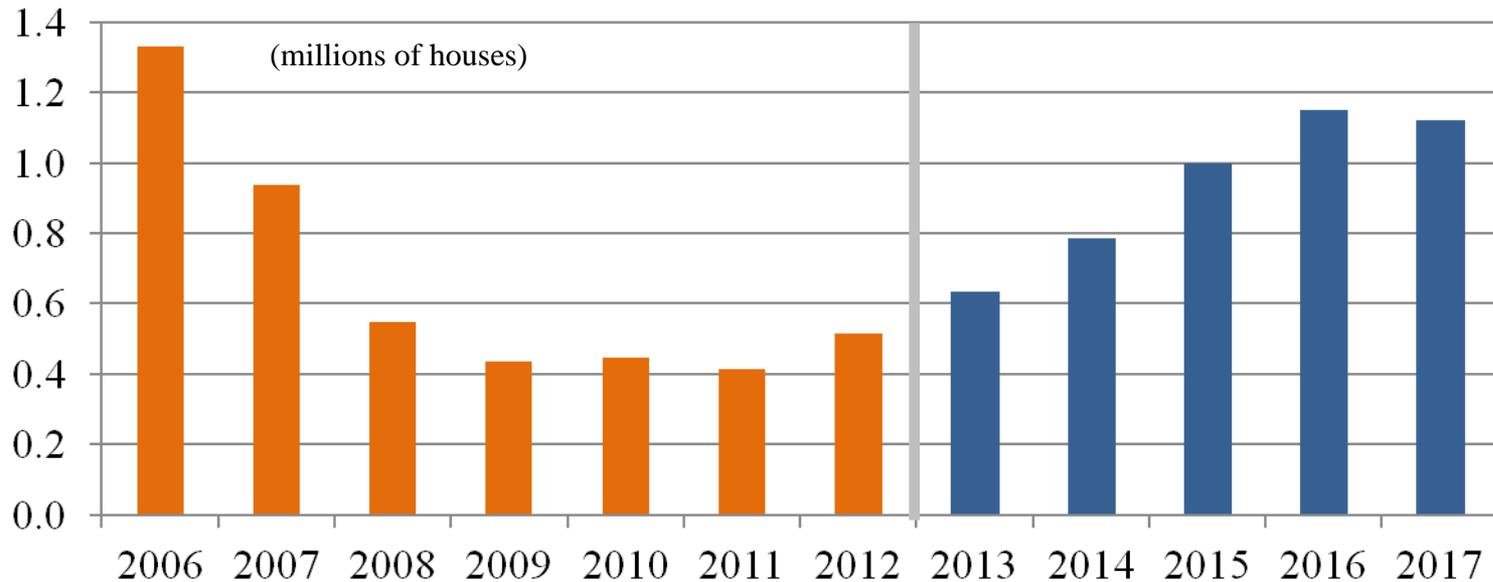
The Architectural Billings Index (ABI), produced by the American Institute of Architects (AIA) Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings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

- The ABI reached its second highest level of the year in September.
- “Despite uncertainty in the general economy related to the federal government shutdown, firm billings have been accelerating every month since the beginning of the summer. Inquiries into new work continue to rise, despite having dipped slightly from their most recent high earlier this year, and the value of new design contracts increased in September as well.” Jennifer Riskus, AIA

Climate Control Market Outlook

Single Family Residential Construction Starts

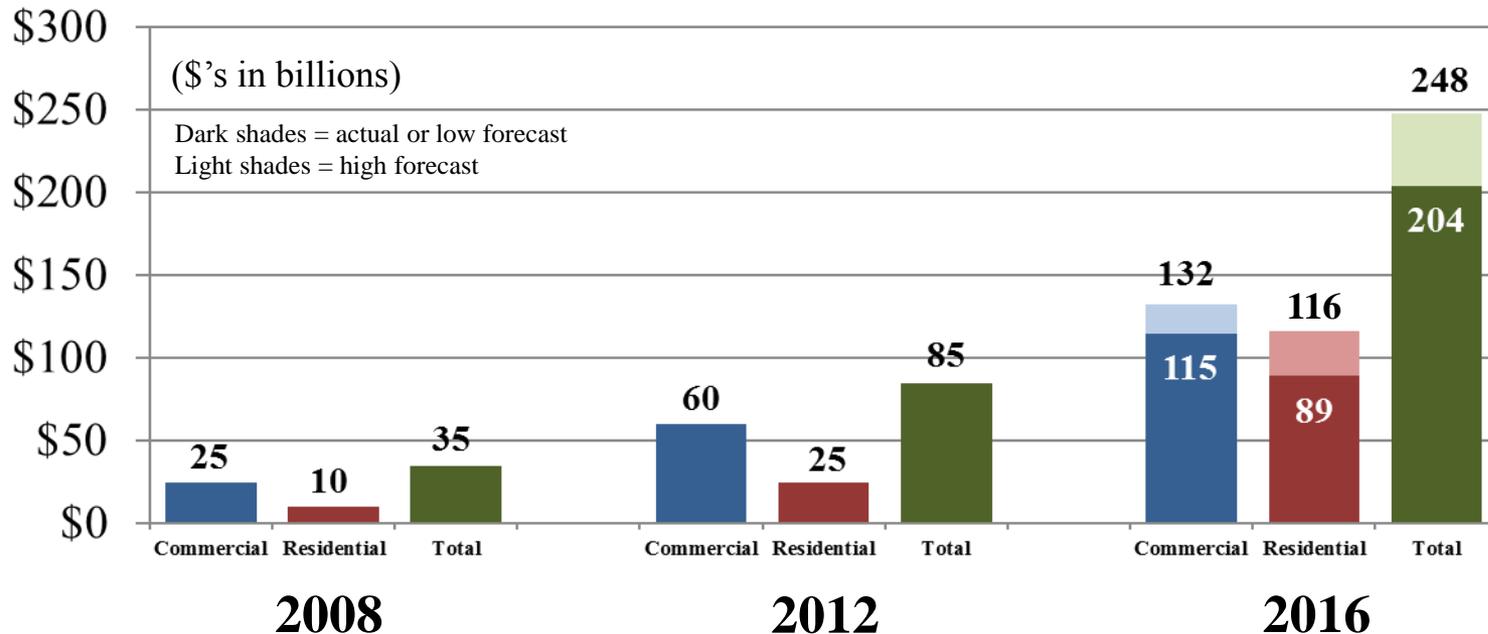
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q4 2013



- Single family residential, all geothermal heat pumps, accounted for approximately 18% of all Climate Control sales during 2012 & 16% YTD through 9-30-13.
- This market is forecast to nearly double by 2015.
- 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 and operational excellence initiatives underway for waste reduction, cost savings, quality and process improvements.

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 9-30		Nine months ended 9-30	
	2012	2013	2012	2013
Net income	\$ 6.7	\$ 10.3	\$ 47.1	\$ 17.6
Plus:				
Interest expense	1.5	5.4	3.8	6.7
Depreciation and amortization	4.8	7.0	14.9	20.1
Provisions for income taxes	3.8	6.3	27.1	10.0
Loss from discontinued operations	0.0	0.0	0.1	0.0
EBITDA per conference call	\$ 16.8	\$ 29.0	\$ 93.0	\$ 54.4
Climate Control Business				
Operating income	\$ 6.9	\$ 8.5	\$ 20.0	\$ 24.4
Plus:				
Equity in earnings of affiliate	0.2	0.1	0.5	0.5
Depreciation and amortization	0.6	0.7	1.8	2.0
EBITDA per conference call	\$ 7.7	\$ 9.3	\$ 22.3	\$ 26.9
Chemical Business				
Operating income	\$ 7.5	\$ 17.7	\$ 67.0	\$ 20.3
Plus:				
Depreciation and amortization	3.7	5.8	11.7	16.6
EBITDA per conference call	\$ 11.2	\$ 23.5	\$ 78.7	\$ 36.9

Note: Please refer to the Company's Form 10-Q for the year ended September 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.

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