

LSB Industries, Inc.

2011 Third Quarter Results
November 7, 2011

Jack E. Golsen, Board Chairman and CEO

Barry H. Golsen, President and COO

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Safe Harbor Statement

This presentation and the comments today contain certain forward-looking statements within the meaning of the Federal securities law. All 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 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. Our order intake is robust and we expect a strong fourth quarter; we have planned spending of \$4 million at Climate Control and \$14 million at Chemical; we should continue to maintain a strong liquidity position including cash on hand and borrowing capacity; we expect that the overall mix will continue to tilt toward Chemical in 2011; we continue to be optimistic about our ag business; we will continue to expand our industrial business. We will also continue to enhance our agricultural distribution channel. We will continue to be a group of niche companies, focus on green, continue our strong push in the geothermal market; we will look for possible strategic acquisitions that could complement this business, and we plan to introduce new products and introduce new online systems. 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, 2010 and our quarterly report on Form 10Q for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011. 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 third quarter results improved over the same period in 2010.
- Year-to-date September 30th sales and earnings were up substantially over the same period in 2010.
- The production at our Pryor facility during the third quarter generated most of the improvement.
- Third quarter earnings were impacted by extended maintenance events (“turnarounds”) and unplanned maintenance in our Chemical Business.
- Weather conditions have affected the timing of the fall planting season.
- The outlook for the agricultural sector and its potential effect on our Chemical Business is very positive.
- Our industrial chemical sales have been steady.
- Gross margin in our Climate Control Business declined in the third quarter.
- We expect the rate of new construction growth will be slower than previously anticipated, which could challenge near-term growth of our Climate Control Business.

LSB Consolidated Financial Results

Quarter Over Quarter & Year Over Year Improvement

<i>\$ in millions except per share amounts</i>	Three Months Ended Sept. 30,			Nine Months Ended Sept. 30,		
	2010	2011	Change	2010	2011	Change
Net Sales	\$138.9	\$176.8	\$37.9	\$437.8	\$589.9	\$152.1
Operating Income	\$8.5	\$12.5	\$4.0	\$25.7	\$94.8	\$69.1
% of net sales	6%	7%	1%	6%	16%	10%
Net Income	\$3.8	\$6.3	\$2.5	\$11.5	\$55.9	\$44.4
% of net sales	3%	4%	8%	3%	9%	6%
Diluted EPS	\$0.17	\$0.27	\$0.10	\$0.52	\$2.39	\$1.87
Cash Flow Provided by Operations	\$10.2	\$11.4	\$1.2	\$22.7	\$52.5	\$29.8
EBITDA	\$12.9	\$17.3	\$4.4	\$39.3	\$108.9	\$69.6
Cash, Restricted Cash and Short-Term Investments as of 9-30,	\$61.6	\$108.5	\$46.9	\$61.6	\$108.5	\$46.9

Chemical Business

Third Quarter and Nine Month Highlights

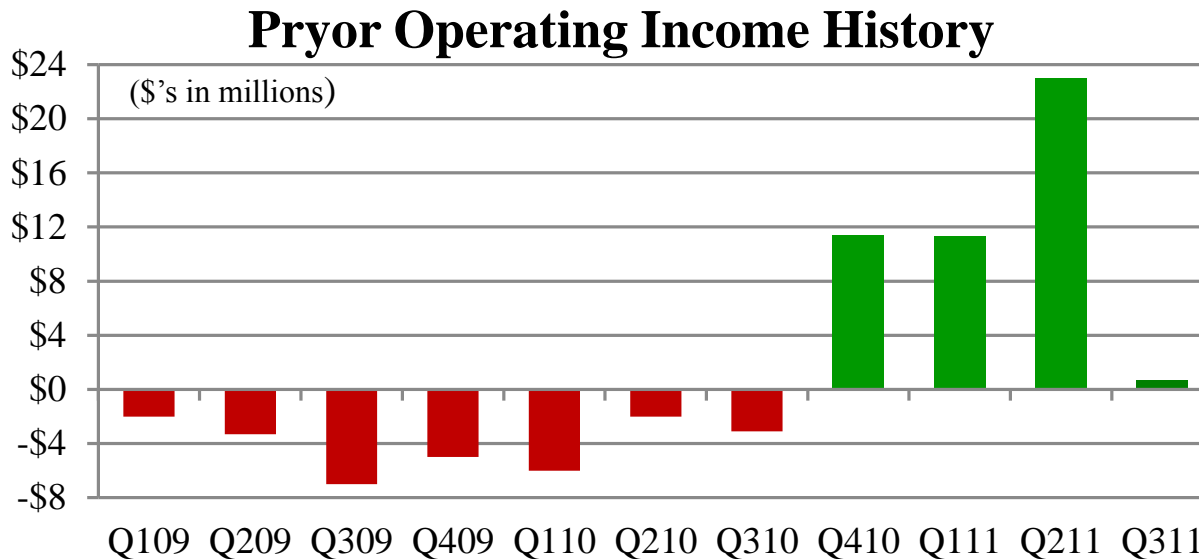
<i>\$ in millions</i>	Three Months Ended Sept. 30,			Nine Months Ended Sept. 30,		
	2010	2011	Change	2010	2011	Change
Net Sales	\$72.6	\$102.8	\$30.2	\$253.8	\$369.8	\$116.0
Gross Profit	\$5.9	\$10.7	\$4.8	\$30.6	\$89.8	\$59.2
% of net sales	8.1%	10.4%	2.3%	12.1%	24.3%	12.2%
Operating Income	\$1.2	\$7.1	\$5.9	\$12.3	\$78.9	\$66.6
% of net sales	1.7%	6.9%	5.2%	4.8%	21.3%	16.5%
EBITDA	\$4.4	\$10.8	\$6.4	\$22.0	\$89.7	\$67.7
Capital Expenditures	\$16.0	\$13.9	-\$2.1	\$23.5	\$26.7	\$3.2

- All product categories increased sales in Q3 2011 vs. Q3 2010.
- Q3 2011 Gross Profit and Operating Income increased, compared to Q3 2010, primarily as a result of increased production at our Pryor facility, and higher sales prices for most of our products.

Pryor Chemical Co. Transition

Pryor began limited production of anhydrous ammonia in Q1 2010.

Pryor achieved sustained production of anhydrous ammonia during Q4 2010 and UAN during Q1 2011.



Operating Income Highlights:

- \$0.7 million income in Q3 2011 vs. a loss of \$3.1 million in Q3 2010.
- Q3 2011 profit was lower than Q1 and Q2 due to seasonality, a planned maintenance event (“turnaround”) as well as unplanned maintenance, resulting in lower production and sales of UAN and anhydrous ammonia.

Climate Control Business

Third Quarter and Nine Month Highlights

<i>\$ in millions</i>	Three Months Ended Sept. 30,			Nine Months Ended Sept. 30,		
	2010	2011	Change	2010	2011	Change
Net Sales	\$64.5	\$71.8	\$7.3	\$178.0	\$212.6	\$34.6
Gross Profit	\$23.0	\$22.8	-\$0.2	\$60.2	\$67.7	\$7.5
% of net sales	35.6%	31.8%	-3.8%	33.8%	31.8%	-2.0%
Operating Income	\$10.1	\$8.7	-\$1.4	\$22.6	\$26.4	\$3.8
% of net sales	15.7%	12.2%	-3.5%	12.7%	12.4%	-0.3%
EBITDA	\$10.9	\$9.4	-\$1.5	\$25.2	\$28.4	\$3.2
Capital Expenditures	\$0.7	\$1.1	\$0.4	\$6.1	\$4.0	-\$2.1

- Fan coils and heat pumps increased sales in Q3 2011 vs. Q3 2010. Other products declined slightly.
- Gross Margin and Operating Income decreased primarily as a result of higher material costs, sales mix, and variable sales costs associated with higher sales volumes.

Solid Financial Position

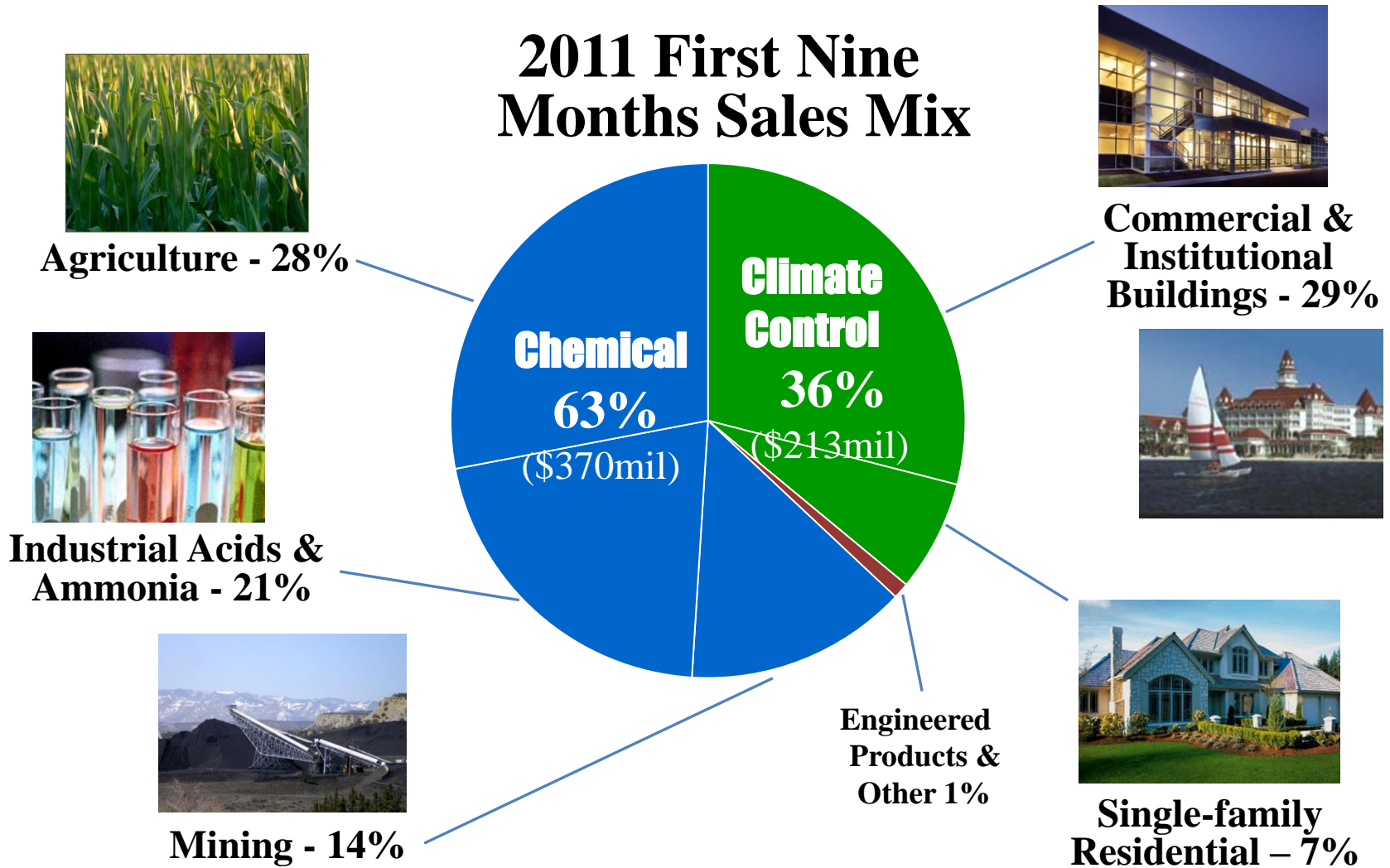
We Continue to Improve our Balance Sheet

<i>\$ in millions</i>	December 31, 2010	Sept. 30, 2011
Cash (including restricted cash and short term investments)	\$77.0	\$108.5
Total Debt (interest bearing)	\$95.4	\$83.3 (A)
Net Debt (Cash in Excess of Debt)	\$18.4	(\$25.2)
Stockholders' Equity	\$179.4	\$264.2
Total Capitalization	\$274.8	\$347.5
Interest Coverage Ratio	10.0x	19.9x

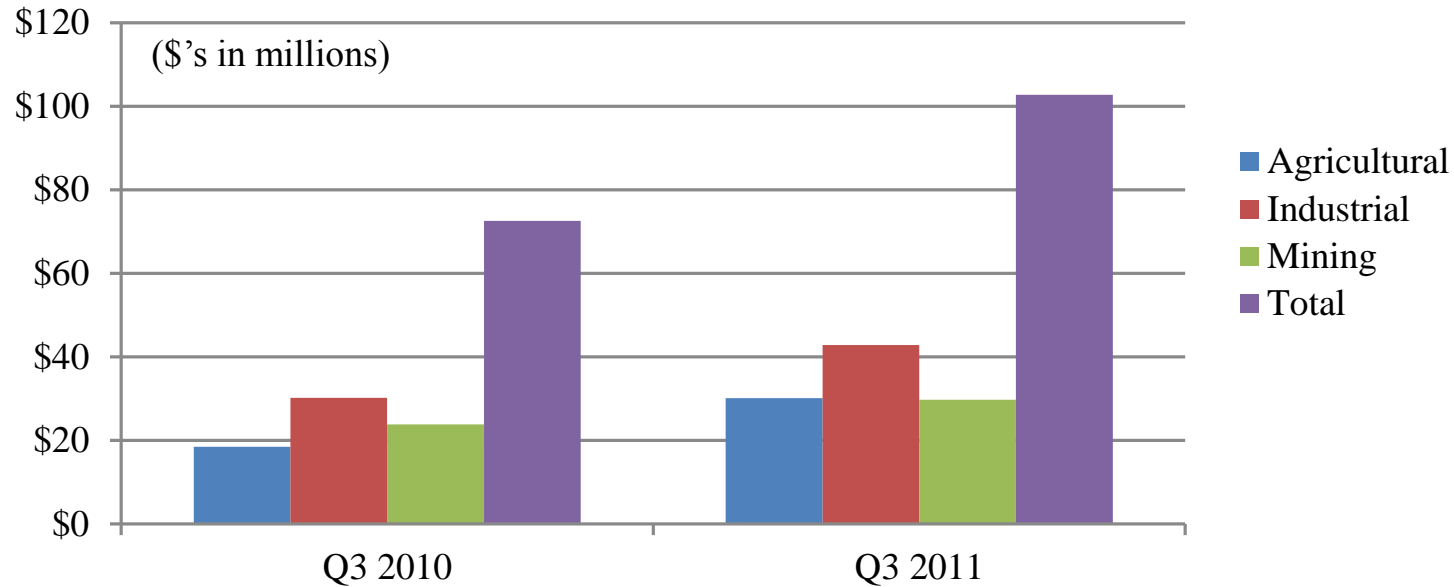
(A) As of Sept. 30, 2011, total debt consisted of a \$73.1 million secured term loan due in March 2016; \$.5 million of 5.5% convertible senior subordinated notes due in 2012 (which were subsequently converted to 18,200 shares of LSB common stock on October 13, 2011); \$9.7 million of equipment loans and capital leases. Our availability under the \$50.0 million working capital revolver loan is \$48.6 million.

Where Our Products Go

2011 First Nine Months Sales Mix



Chemical Sales

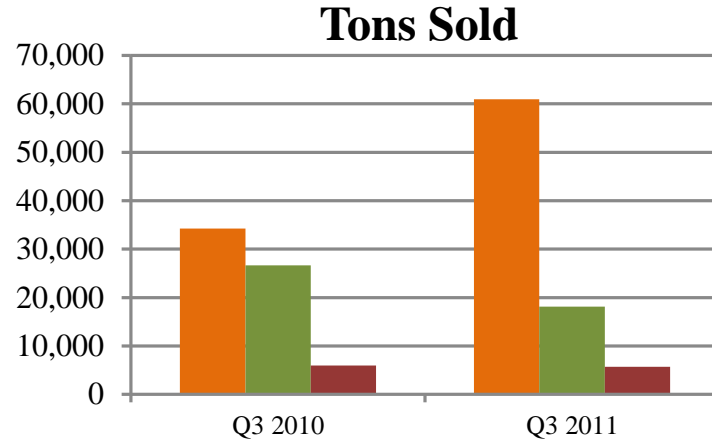
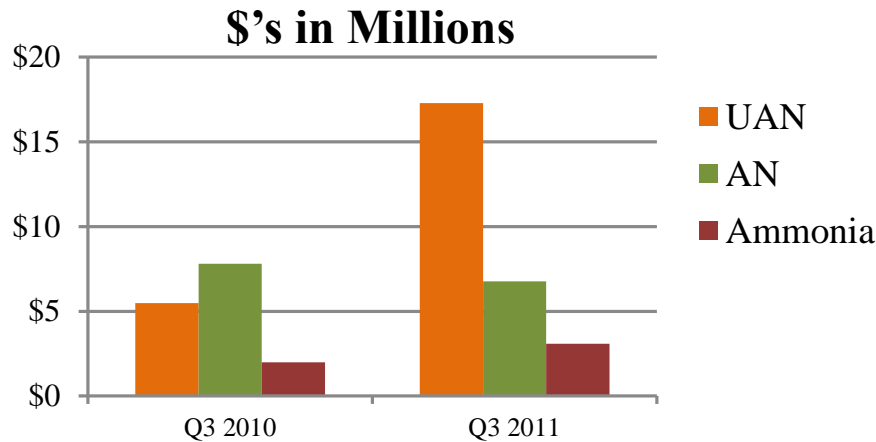


Changes from 2010 to 2011	Agricultural Products	Industrial Acids	Mining Products	Total
Third Quarter	63%	42%	25%	42%
Year-to-Date	73%	32%	26%	46%

- Chemical sales increased in all key markets during Q3 2011.
- Agricultural sales increased the most, due to UAN production at our Pryor facility and increased product sales prices.

Chemical Key Product Sales

Agricultural

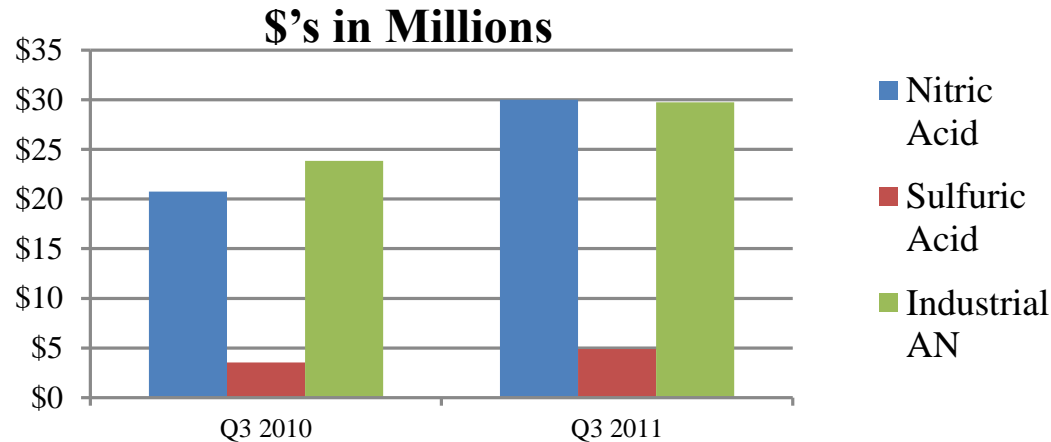


Changes from 2010 to 2011	UAN		AN		Ammonia	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Third Quarter	215%	78%	-13%	-32%	56%	-4%
Year-to-date	230%	103%	-7%	-27%	261%	98%

- UAN and Ammonia sales increased in Q3 2011 vs. Q3 2010 due to increased UAN shipments from our Pryor and Cherokee facilities and increased nitrogen sales prices per ton.
- AN tons sold decreased in Q3 2011 vs. Q3 2010 due to drought and intermittent production issues. AN sales prices increased quarter over quarter.

Chemical Key Product Sales

Industrial Acids & Mining

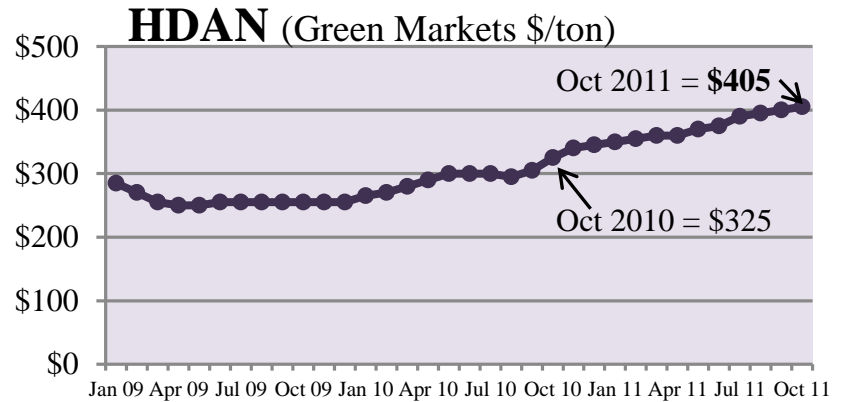
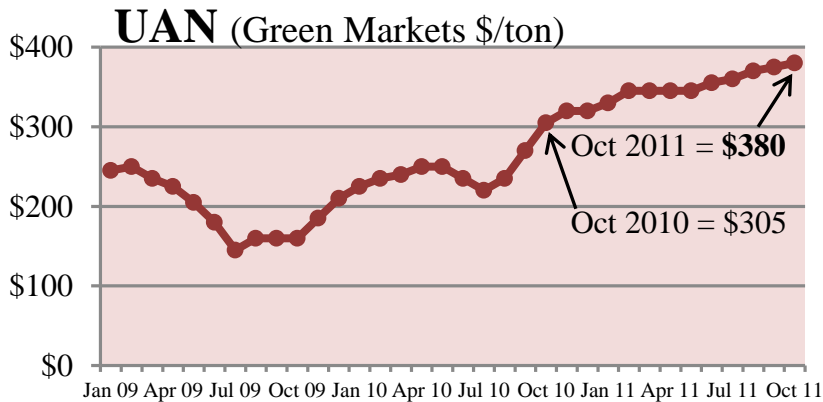
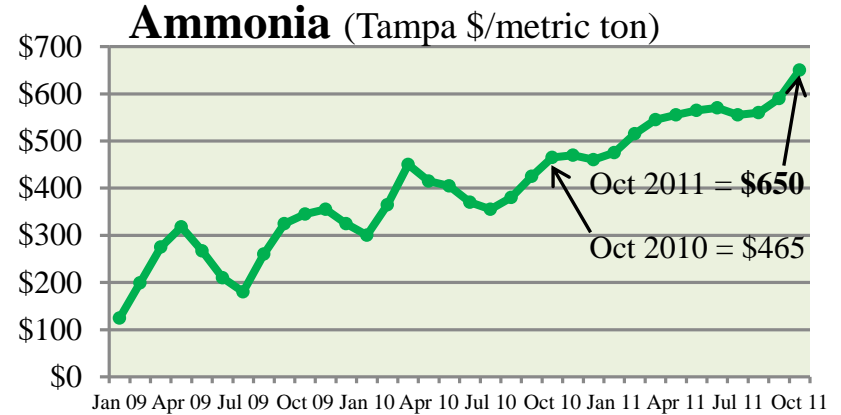
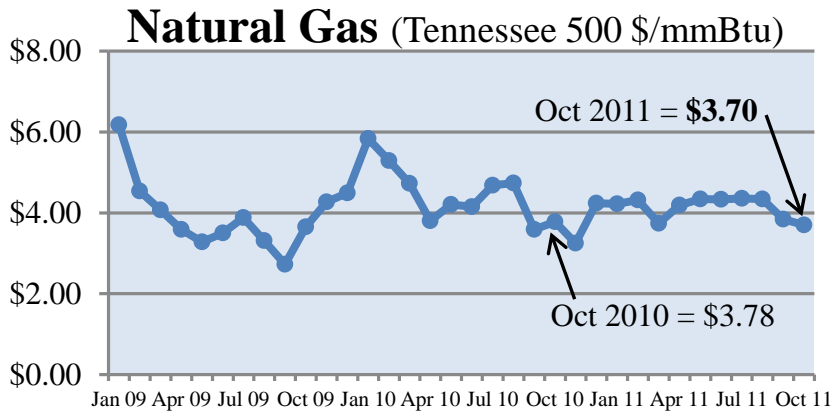


Changes from 2010 to 2011	Nitric Acid		Sulfuric Acid		Industrial AN	
	\$'s	Tons	\$'s	Tons	\$'s	Tons
Third Quarter	45%	10%	38%	-3%	25%	1%
Year-to Date	34%	2%	39%	-12%	26%	7%

- Q3 2011 tons sold of industrial nitric acid and AN were up while sulfuric acid was down.
- Q3 2011 sales of all industrial and mining products were up due to more tons shipped of nitric acid and AN and because feedstock costs resulted in higher selling prices.

Chemical Commodity Prices

Feedstocks & End Products



Chemical Market Outlook

Agricultural

All Indicators Favorable:

- ✓ Grain stock-to-use ratios down

(Source: USDA WASDE report, 7-12-11 for crop year 2010/11)

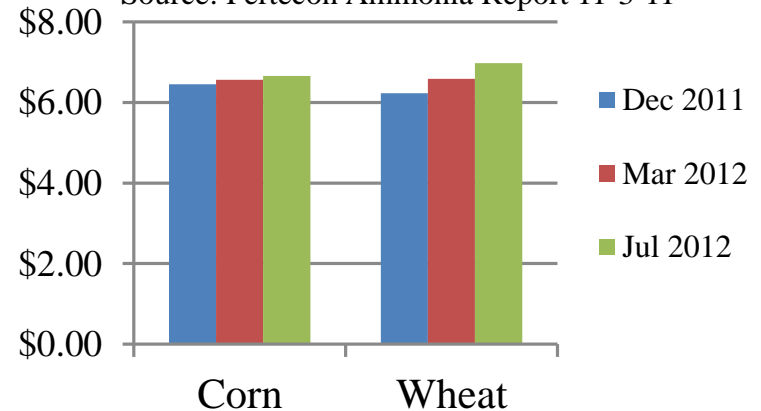
- US Corn = 6.8%; second lowest level in 40 years
- World Corn = 12.8%
- World Wheat = 25%

- ✓ Planting levels high
- ✓ Crop prices up (see chart)
- ✓ Fertilizer demand up
- ✓ Fertilizer prices up
- ✓ Ethanol production steady
- ✓ Natural gas feedstock cost low

Wild Card: Weather?

Forward Crop Prices / Bushel

Source: Fertecon Ammonia Report 11-3-11



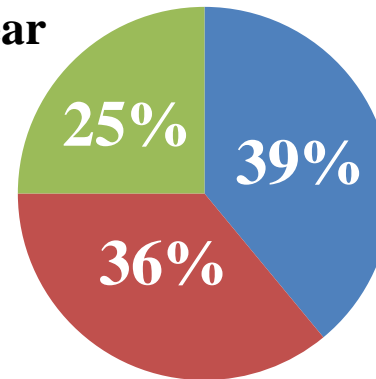
Chemical Market Outlook

Industrial & Mining

- 61% of our Chemical Sales in 2010 were industrial and mining products, used in North America.
- 69% of 2010 industrial and mining sales were contractual with *cost plus* and/or *minimum take* provisions.
- Industrial sales improved in 2010 and 2011 and are expected to increase.
- Mix shifting toward Agricultural Products in 2011.

Sales By Sector

2010
Full Year

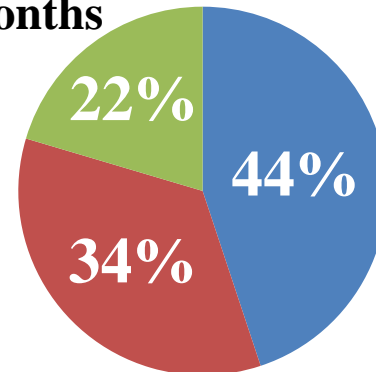


■ Agricultural Products

■ Industrial Acids & Ammonia

■ Mining Products

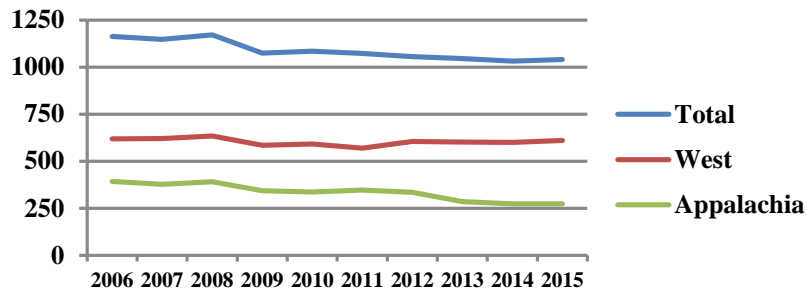
2011 First
Nine Months



Chemical Market Outlook: Industrial & Mining

Coal Production Projections

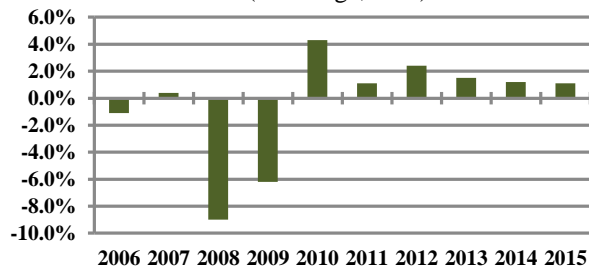
Source: Dept. of Energy – Energy Information Agcy.
(millions of tons)



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

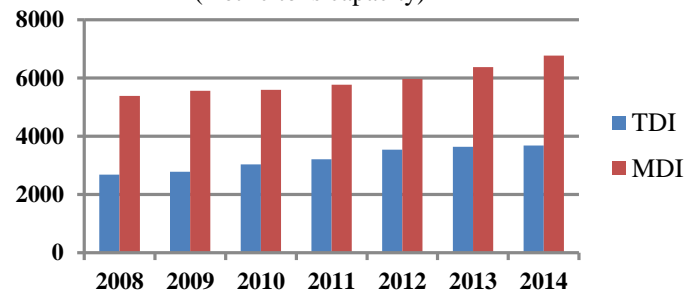
Source: American Chemistry Council
(% change, Y/Y)



Paper Products – Sulfuric acid is used for paper bleaching and water treatment. LSB’s sulfuric acid markets are regionalized, and a tight global supply has benefited us, with small capacity increases the last 2 years.

Polyurethane Intermediates Global Production Capacity Growth Trend

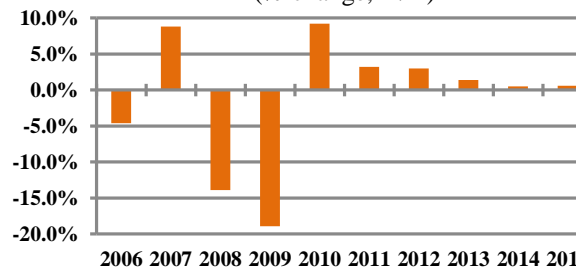
Source: Tecnon OrbiChem
(metric tons capacity)



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 1% to 2% per year.

Chemical Major Initiatives

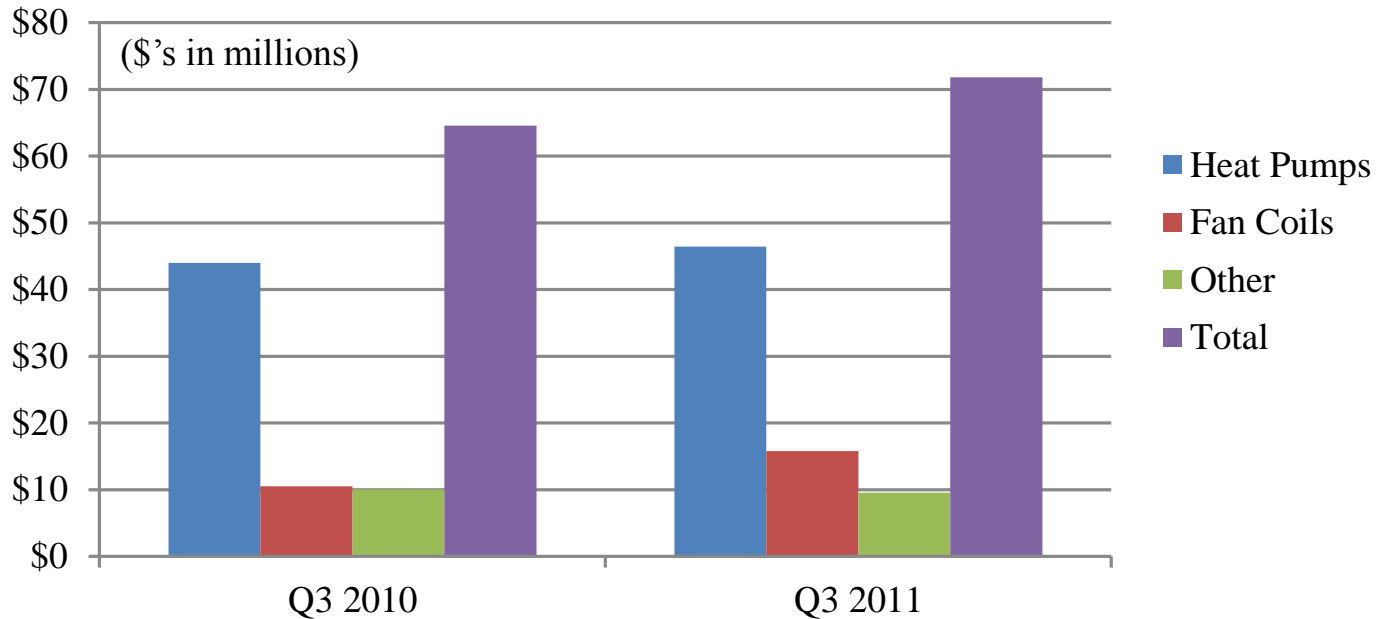
Strategies

- 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.
- Expand agricultural distribution in new geographic territories where justified.

Planned Initiatives

- Increase Pryor facility production rates of plants currently on-line.
- Expansion of Pryor facility capacity.
- Evaluate expansion of DEF production.
- Major capital projects (other than maintenance projects): Pryor capacity enhancement (3 projects); El Dorado pipeline; concentrated acid railcar upgrade; El Dorado sulfuric acid storage; Cherokee NOX abatement; Cherokee electrical upgrade.

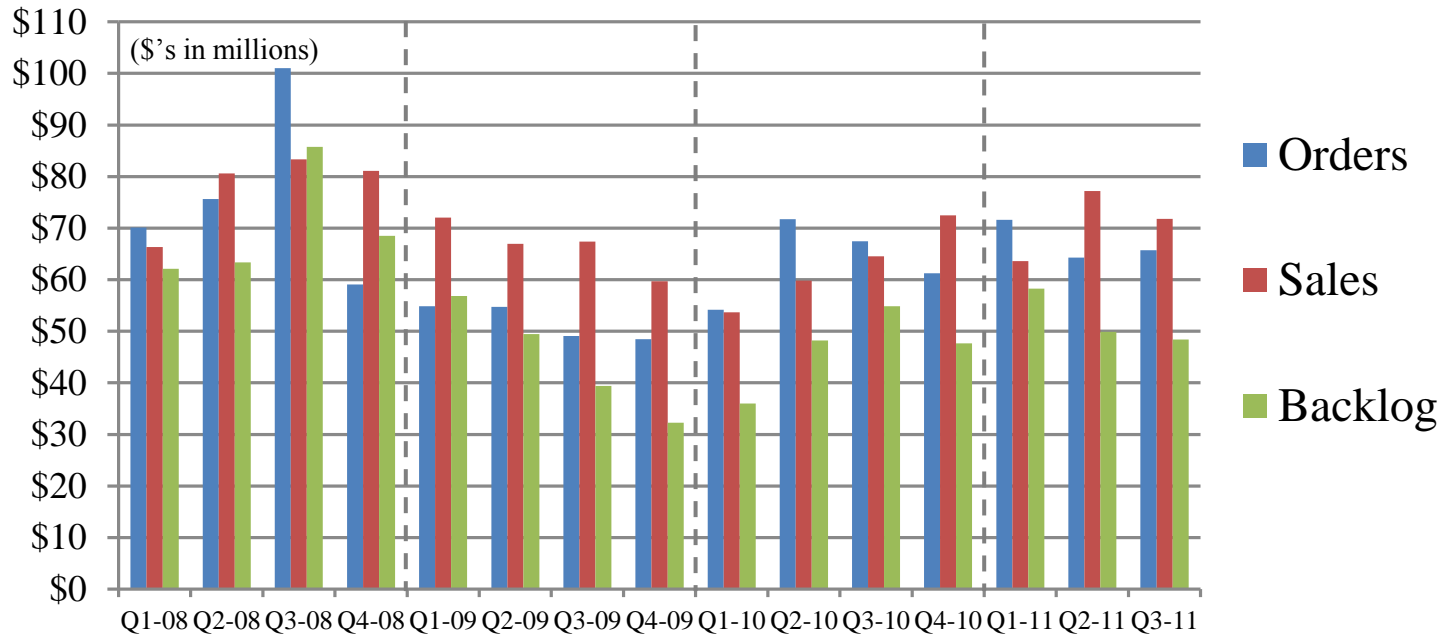
Climate Control Sales



Changes from 2010 to 2011	Heat Pumps	Fan Coils	Other	Total
Third Quarter	6%	50%	-5%	11%
Year-to-Date	11%	64%	14%	19%

- Total heat pump and fan coil sales were up in Q3 2011 vs. Q3 2010.
- Sales of other products were down in Q3 2011 vs. Q3 2010.

Climate Control Orders, Sales & Backlog

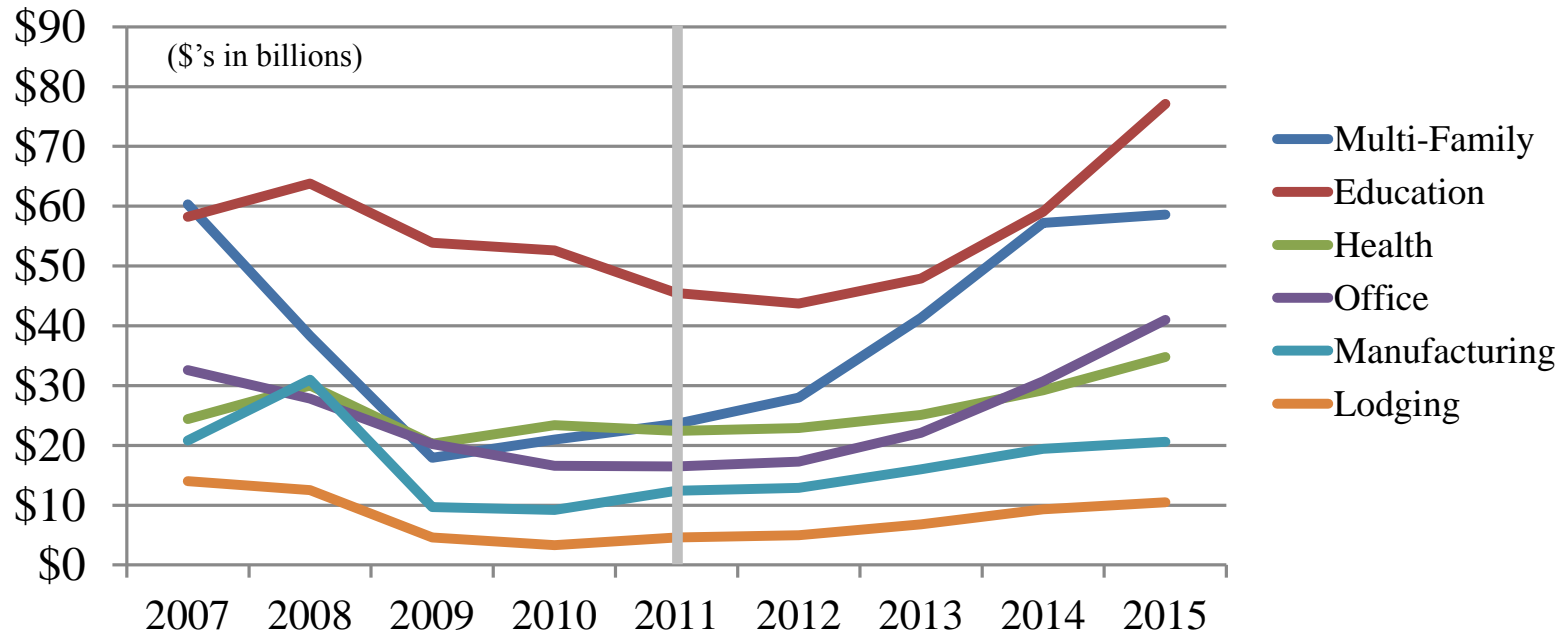


Changes from 2010 to 2011	Commercial & Institutional	Single Family Residential	Total
Q3 New Orders	-4%	2%	-3%
Q3 Sales	20%	-12%	11%
YTD 9-30 New Orders	10%	-12%	4%
YTD 9-30 Sales	28%	-6%	19%
Ending Backlog at 9-30	-10%	-25%	-12%

Climate Control Market Outlook

Commercial & Institutional Construction Awards

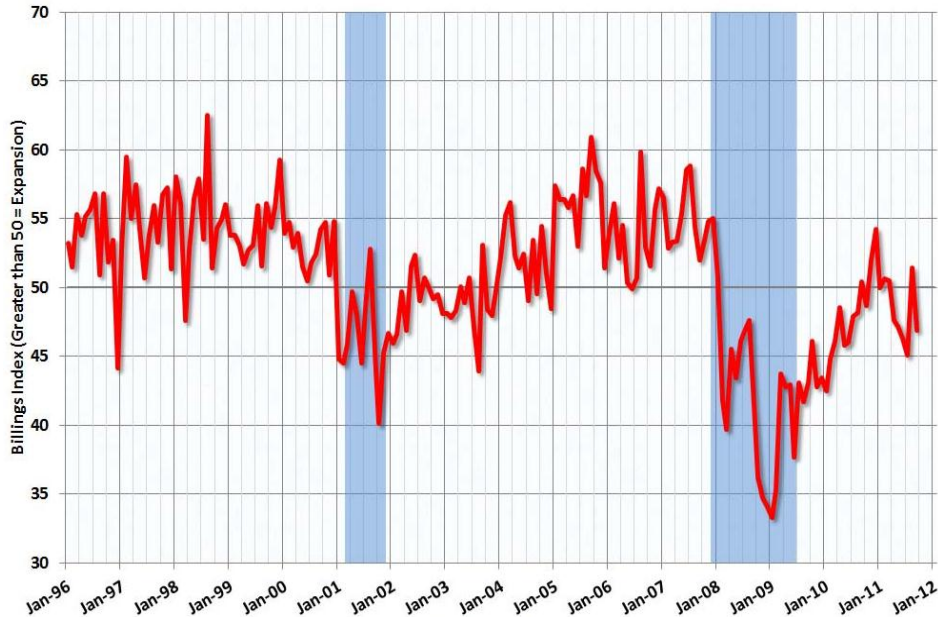
Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q4 2011



- In 2010 these combined markets accounted for approximately 55% of all Climate Control Sales, and 73% of sales of commercial/institutional products.
- By 2015 these markets are forecast to increase by approximately 94%.

Climate Control Market Outlook

Sept 2011 Architectural Billings Index = **46.9**



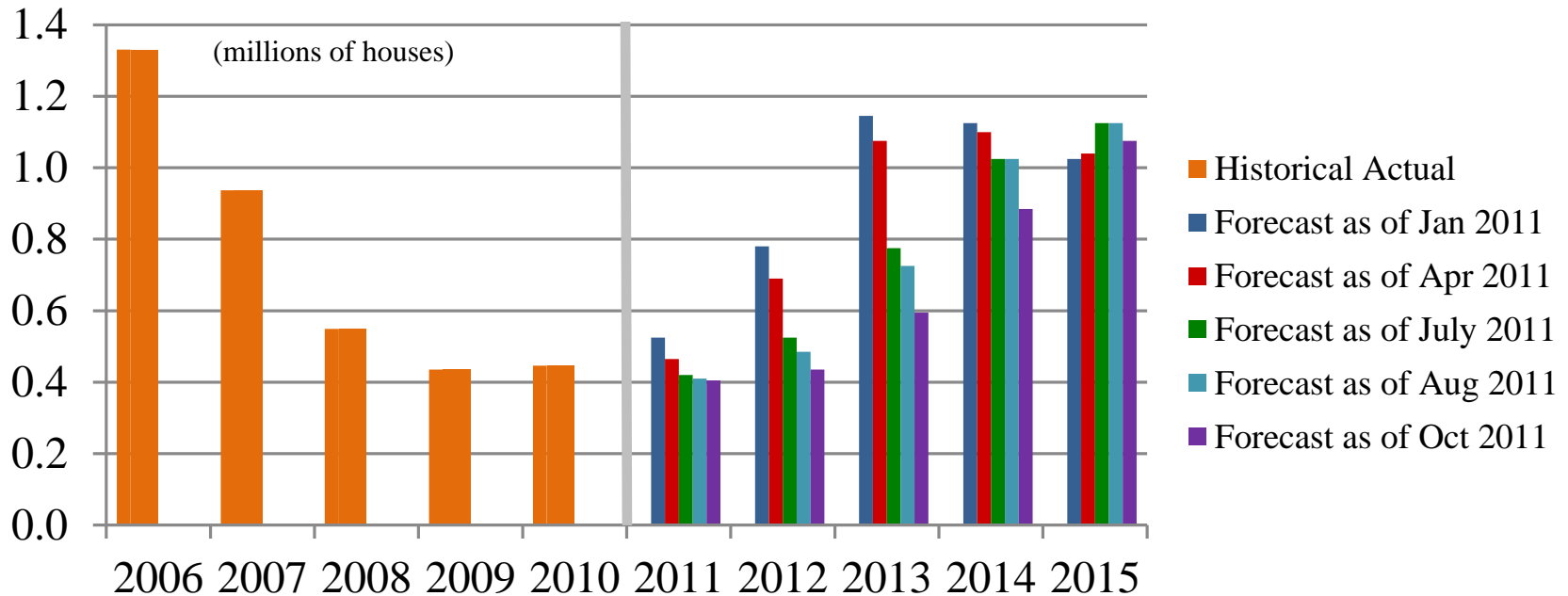
The Architectural Billings Index (ABI), produced by the AIA Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings and scores below 50 indicating a decline.

- Following the first positive score in four months, the ABI reversed direction again in September. ... The AIA reported the September ABI score was 46.9, following a score of 51.4 in August. This score reflects a sharp decrease in demand for design services. The new projects inquiry index was 54.3, down from a reading of 56.9 the previous month.
- “It appears that the positive conditions seen last month were more of an aberration,” said AIA Chief Economist, Kermit Baker, PhD. “The economy is weak enough at present that design activity is bouncing around more than usual; one strong month can be followed by a weak one. The economy needs to be stronger to generate sustained growth in design activity.”

Climate Control Market Outlook

Single Family Residential Construction Starts

Building Contract Activity Source: McGraw-Hill Construction Market Forecasting Service, Q4 2011



- Single family residential, all geothermal heat pumps, accounted for approx. 20% of all Climate Control sales during the first nine months of 2011.
- From 2011 through 2015 this market is forecast to increase 165%.
- 30% Federal tax credits should positively impact growth of geothermal products.

Climate Control

Strategies & Major Initiatives

Strategies

- Focus on product niches: maintain, upgrade and expand current product offerings.
- Special focus on continuing 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.
- Upgrade online customer service interface.
- Major capital projects: complete chiller factory renovation and initiate production (completed); initiate expansion of air coil manufacturing facility.



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 engineered products distribution center in Oklahoma City. Approximately 1,900 total employees.

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