



NYSE: LXU
 Industry: HVAC & Chemical
 Recent Price (3/1/12): \$40.81
 12-Month Range: \$24.85 - \$49.21
 Avg. Daily Trading Vol.: 200,000 shares
 Market Cap: \$910 million

Shares Outstanding: 22.3 million
 Public Float: 18.6 million shares
 Management & Affiliates*: 3.7 million shares
 Working Capital @ 12/31/11: \$231 million

Website: <http://www.lsb-okc.com>

* Includes Directors, Officers & Golsen Family

Business Description

Founded in 1968, LSB Industries, Inc. is an industrial company with subsidiaries in two distinct core businesses. Its Climate Control Business is recognized as the technology and market share leader in certain HVAC product "niches." Its Chemical Business is a producer of chemical products for the agricultural, mining and industrial markets, and is the leading marketer of blended and concentrated nitric acid in the U.S. Headquartered in Oklahoma City, LSB has seven Climate Control manufacturing and distribution facilities in Oklahoma City, along with its Engineered Products distribution center. LSB's chemical plants are in Texas, Arkansas, Alabama and Oklahoma. LSB is on the Russell 2000 and Russell 3000 Indexes and the S&P SmallCap 600 Index and was recently ranked by *Forbes* as 7th among "America's Best Small Companies."



Climate Control Business:

- **Leading market shares in key products:** Geothermal heat pumps (GHPs), water source heat pumps and hydronic fan coils.
- **Heavy focus on GHPs**, the ultra-high efficiency, environmentally responsible technology, using solar energy stored in the ground.
- **Well positioned** to benefit from green construction, tax incentives for GHPs, and the economic recovery.
- **Prestigious customer list** and diversified customer base.
- **Strong margins in core products & historic growth.**
- **Sales were up 12% in 2011 vs 2010.**

Chemical Business:

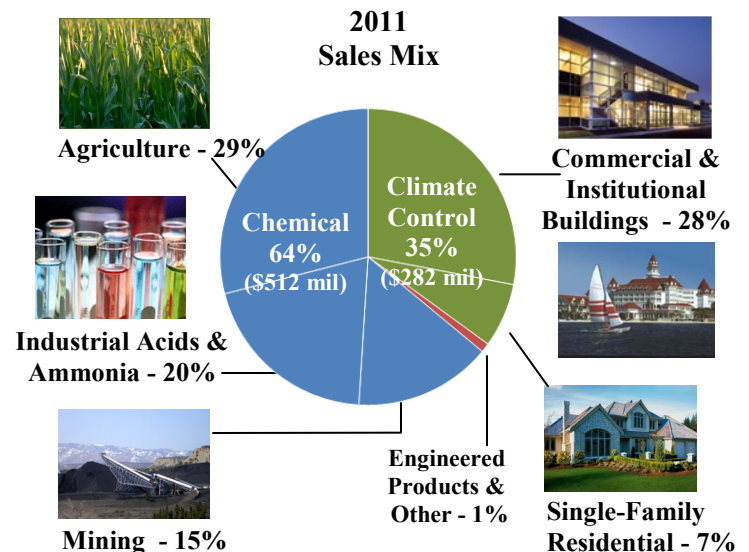
- **Favorable agricultural indicators:** Grain stock-to-use ratios low; planting levels high; crop prices high; fertilizer demand up; ethanol production steady and natural gas feedstock cost low. Ag sales comprised 45% of 2011 Chemical Business sales.
- **Most of 2011 industrial and mining sales were contractual with "cost-plus" and/or minimum take provisions.**
- **Pryor Facility - Operational in Q4 2010.** Current capacity is approximately 325,000 TPY of UAN plus 60,000 to 90,000 TPY of anhydrous ammonia. Expansion is planned (60,000 TPY of anhydrous ammonia).
- **Diesel Exhaust Fluid (DEF) production started 2010.** DEF is used to abate emissions from diesel powered vehicles.

Financial Performance (see notes on page 4)

\$ in millions except EPS	Calendar Year Ended Dec. 31,			
	2008	2009	2010	2011
Revenue	\$749.0	\$531.8	\$609.9	\$805.3
Operating Income	\$59.2	\$40.7	\$55.9	\$136.4
Net Income	\$36.5	\$21.6	\$29.6	\$83.8
Revenue Growth	28%	-29%	15%	32%
Diluted Earnings per Share	\$1.58	\$0.96	\$1.32	\$3.58
EBITDA	\$80.8	\$59.3	\$74.3	\$155.7
EBITDA Margin	11%	11%	12%	19%
Free Cash Flow	\$48.7	\$30.4	\$39.8	\$111.5

Pryor, OK Facility ("Pryor Facility") Start-up Costs: 2008 & 2009 earnings were impacted by Pryor Facility's start-up costs. See Special Notes on page 4.

Where Our Products Go...



Climate Control Business: A Market Leader With Green Products - Poised to Benefit From the Economic Recovery

LSB's Climate Control Business is a recognized industry technology and market leader with its core products, geothermal and water source heat pumps and hydronic fan coils. Introduced in the 1970's, LSB's vertical high-rise fan coils have become an industry standard in quality buildings around the world. In the 1980's, LSB entered the water source heat pump business and in the 1990's added ultra-efficient geothermal products. LSB also offers large custom air handlers and green modular and geothermal chillers.

Great Products!

Water Source Heat Pumps:

With an estimated 41% market share in 2011, LSB is the industry leader in water source heat pumps (WSHP) which include GHPs. WSHPs are highly efficient compressorized cooling and/or heating units that are connected to a central system with a cooling tower and small boiler. LSB has the broadest WSHP product offering in the industry.

Geothermal Heat Pumps:

GHPs answer today's most pressing environmental and energy usage issues. By utilizing the virtually unlimited supply of solar energy stored in the earth, LSB's Tranquility™ GHPs produce energy savings of up to 80% over other systems and at the same time, reduce greenhouse gas emissions. Tranquility™ geothermal systems also use non-ozone depleting Earth-Pure™ refrigerants. Due to rising energy costs and the national focus on green renewable energy solutions, GHP sales had increased dramatically until the recent recession.

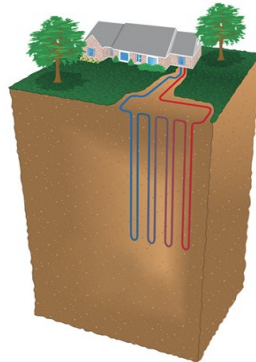
Hydronic Fan Coils:

These small air handling units are typically used in commercial and institutional buildings. In 2011, LSB had the leading industry market share and is recognized as the U.S. leader in these products. In addition to its standard products, LSB also supplies customized products and has the most comprehensive hydronic fan coil product line in the HVAC industry.

Large Custom Air Handling Units: These reliable units are typically found in environments where temperature, cleanliness or humidity control are critical, such as surgical suites, pharmaceutical production facilities, food processing plants and other environmentally sensitive facilities.

Modular Chillers and Geothermal Systems:

Modular chillers and modular geothermal systems are emerging product lines that address a U.S. market valued at approx. \$1 billion. Available in various capacities, these modular units are ideal for replacement applications as they fit in standard elevators and through doors.



Residential GHP systems use solar energy stored in the earth.



A Diversified Customer Base

- With an installed base of more than 4 million units, LSB's HVAC equipment is hard at work at the Statue of Liberty, Trump Tower, Rockefeller Center and The World Financial Center, among many other New York City locations.
- Add to that, most luxury hotel rooms in Las Vegas, plus Disney, Peninsula Hotels and Ritz-Carlton properties, as well as numerous educational and healthcare institutions, single and multi-family residences, and manufacturing and commercial buildings throughout North America and around the world.
- LSB's GHPs are installed in thousands of homes, reducing energy costs year round.
- LSB's products are sold into the new construction, renovation and replacement markets.

Geothermal Tax Credit & Green Construction Should Benefit LSB Over the Long Haul

GEOTHERMAL TAX CREDITS for...

Individuals:

30% of the total GHP system cost, no upper limit

Businesses:

10% of total GHP system cost, no upper limit
Plus, 50% bonus depreciation (2012)

States and Utilities Also Have Incentives

GREENING OF GOVERNMENT BUILDINGS & OVERALL CONSTRUCTION TRENDS

- Planned federal spending on energy efficiency offer opportunities for LSB, which is well positioned to provide highly energy-efficient products.
- Trend toward green commercial, institutional and residential construction should benefit LSB's sales of its green HVAC products.

Manufacturing With six manufacturing facilities and one distribution center totaling approximately 1 million sq. ft., LSB has the most advanced fabrication equipment available, automated quality control systems, and state-of-the-art computerized product design and testing facilities. Production has recently begun at a new dedicated plant for modular chillers.

Strategy and Opportunities

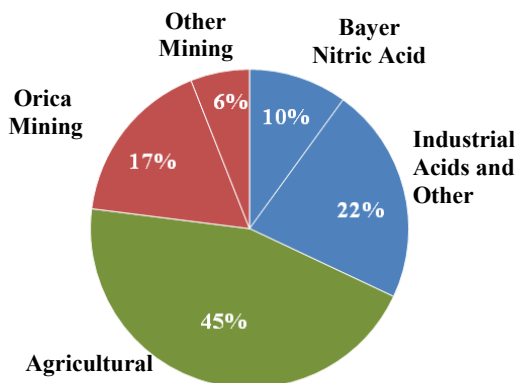
The Company's focus will continue to be on product niches by maintaining, upgrading and expanding product offerings; continuing to develop the market for geothermal products and products targeted to green construction for new, renovation and retrofit construction markets; and a strong focus on operational excellence including customer service and cost reduction. Acquisitions that fit LSB's strategic and financial criteria will be considered. Building contract activity projections support LSB's expectations for long-term growth. In addition to growth spurred by increases in construction markets, the Company anticipates market share growth from geothermal products and modular chillers, including geothermal chillers and custom air handlers.

Chemical Business:

Positioned to Take Advantage of Robust Agricultural Market and New Pryor, OK Complex

LSB entered the chemical industry in 1984, with the acquisition of its El Dorado, AR facility from Monsanto. Today it operates multiple facilities, is a producer of chemical products for the agricultural, industrial and mining markets and is the leading marketer of blended and concentrated nitric acid in the U.S. LSB is one of only two U.S. producers of high density agricultural grade ammonium nitrate.

2011 Sales



Fertilizers:

High density ammonium nitrate (AN) and urea ammonium nitrate (UAN) are used for food crops, biofuel feedstock crops, and forage production.

Industrial Acids:

Nitric acid is used to produce various specialty chemicals including polyurethane intermediates, flame resistant fibers and carbon fibers. Blended and mixed acids are used for metal treatment, diesel fuel additives, herbicides, ordnance and pharmaceuticals. Sulfuric acid is used for pulp and paper production, water treatment, metals processing and other uses.

Diesel Exhaust Fluid (DEF) & Anhydrous Ammonia:

Used for emissions abatement by heavy-duty diesel vehicles and utilities.

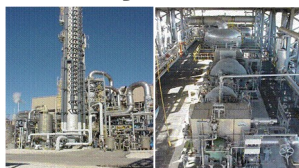
Industrial Grade Ammonium Nitrate (low density):

Used for the surface mining of coal and metal ore, as well as construction.

Customers



Four Major Manufacturing Facilities



El Dorado Nitrogen in Baytown, TX produces up to 475,000 tons per year of nitric acid at a Bayer Corp. production complex under a long-term agreement.



El Dorado Chemical in El Dorado, AR including 3 regular nitric acid plants, 1 concentrated nitric acid plant, 3 ammonium nitrate prilling towers, 1 sulfuric acid plant and 1 mixed acid plant, is located adjacent to a Gulf Coast ammonia pipeline.



Cherokee Nitrogen in Cherokee, AL includes 1 ammonia plant, 2 nitric acid plants, a urea plant and an ammonium nitrate prilling plant. DEF production began in 2010.

Pryor, OK Complex - A Plan for Growth



- 2011 first full year of production (initiated in Q4 2010).
- Current production capacity:
 - 325,000 tons/year of UAN
 - 60,000 to 90,000 tons/year anhydrous ammonia
- Expansion planned:
 - 60,000 tons/year ammonia (pending permits)
- Distribution agreement with Koch Nitrogen.

Strategy and Opportunities

- Continual emphasis on operational excellence: capacity enhancement, efficiency and reliability of facilities.
- Further development of large industrial customers and products.
- Expand agricultural distribution in new geographic territories.
- Planned expansion at Pryor Facility to add 60,000 tons/year of ammonia production.
- Optimize all facility production rates of plants currently on line.
- Balance sales volume between industrial and agricultural sectors.

Solid Financial Position

<i>\$ in millions</i>	December 31, 2010	December 31, 2011
Cash (including restricted cash and short term investments)	\$77.0	\$135.0
Total Debt (interest bearing)	\$95.4	\$79.5 (A)
Net Debt (Cash in Excess of Debt)	\$18.4	(\$55.5)
Stockholders' Equity	\$179.4	\$293.3
Total Capitalization	\$274.8	\$372.8
Interest Coverage Ratio	10.0x	23.2x

(A) As of December 31, 2011, total debt consisted of a \$72.2 million secured term loan due in March 2016 and \$7.3 million of equipment loans and capital leases. Our availability under the \$50.0 million working capital revolver loan is \$48.6 million.

Pryor Facility Start-up Costs:

2008 & 2009 earnings were impacted by Pryor Facility's start-up costs: Operating income and EBITDA were impacted by \$2.4 million in 2008 and \$17.2 million in 2009; net income was impacted by \$1.5 million in 2008 and \$10.7 million in 2009.

Pryor Facility had \$52.0 million of operating income in 2011 vs. \$0.3 million in 2010.

Segment Operating Data

Chemical Business

<i>\$ in millions</i>	Calendar Year Ended Dec. 31,			
	2008	2009	2010	2011
Sales	\$424.1	\$257.8	\$351.1	\$511.9
Gross Profit	38.0	42.4	49.3	130.7
Gross Profit %	9.0%	16.5%	14.0%	25.5%
Operating Income	31.3	15.1	31.9	116.5
EBITDA	\$41.8	\$26.5	\$45.0	\$131.2

Climate Control Business

<i>\$ in millions</i>	Calendar Year Ended Dec. 31,			
	2008	2009	2010	2011
Sales	\$311.4	\$266.2	\$250.5	\$281.6
Gross Profit	96.6	92.4	86.4	88.2
Gross Profit %	31.0%	34.7%	34.5%	31.3%
Operating Income	38.9	37.7	35.3	32.8
EBITDA	\$42.0	\$41.2	\$38.8	\$35.5

Special Notes:

Operating Income, Net Income and EBITDA increased (decreased) for the following items:

Fiscal Year 2011:

- \$52.0 million operating income, including \$8.6 million related to business interruption insurance recovery [of which \$55.0 million increased EBITDA] related to the Pryor Facility associated with the Chemical Business.

Fiscal Year 2010:

- \$0.3 million in operating income, including \$5.7 million related to property insurance recoveries, [of which \$1.6 million increased EBITDA] related to the Pryor Facility associated with the Chemical Business.

Fiscal Year 2009:

- \$(17.2) million in expenses related to the Pryor Facility associated with the Chemical Business.
- \$6.6 million relating to firm sales commitments entered into during 2008 with higher sales prices compared to market prices available on other comparable sales made during 2009 associated with the Chemical Business.

Fiscal Year 2008:

- \$(5.3) million change in fair value of commodities in the Chemical Business,
- \$(5.1) million of costs relating to unplanned maintenance downtime associated with the Chemical Business.
- \$(2.4) million in expenses related to the Pryor Facility associated with the Chemical Business.
- \$7.6 million litigation judgment associated with the Chemical Business.

All statements and descriptions contained herein are subject to, or modified by, our 2011 10-K ("10-K") If any statements or description contained herein conflicts with our 10-K, the 10-K shall be controlling. Certain statements contained within this profile may be deemed "Forward-Looking Statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements in this presentation other than statements of historical fact are Forward-Looking Statements that are subject to known and unknown risks, uncertainties and other factors which could cause actual results and performance of LSB to differ materially from such statements. The words "expect", "expectations", "project", "will", "could" and similar expressions identify Forward-Looking Statements. Forward-Looking Statements contained in the profile relate to, among other things, GHPs are rapidly growing and there is a huge market potential for GHPs; LSB is well positioned to benefit from the green construction, new tax incentives for GHPs, the economic stimulus plan and the economic recovery; the tax incentives have upside potential for LSB; strong long-term demand projected for the HVAC industry; broadest WSH product offering; most comprehensive fan coil product line; greening of government buildings and overall construction trends offer opportunities for LSB; expectations for long term growth; continuing to focus on niche products and niche markets; high expectations for geothermal and water source heat pumps; modular chillers and geothermal systems business presents additional growth opportunities; most advanced fabrication equipment available with state-of-the-art computerized design and testing facilities; favorable long-term agricultural supply-demand fundamentals and long-term global grain supply/demand balance; population growth and dietary improvements; reduced nitrogen production in the U.S.; reduction in arable land requires higher yield per acre; Pryor Facility planned growth; operational excellence; capacity enhancements; efficiency and reliability of facilities; development of large industrial customers and products; expand agricultural distributions; sell out plants to fully absorb fixed costs while reducing costs; and LSB's marketing strategy and goals. While LSB believes the expectations reflected in such Forward-Looking Statements are reasonable, LSB can give no assurances such expectations will prove to have been correct. There are a variety of factors which could cause future outcomes to differ materially from those described in this presentation, including, but not limited to, a change in general economic conditions, increased competitive pressures, material increases in equipment maintenance, operating or labor costs not presently anticipated by LSB, the loss of any significant customer or supplier, changes in operating strategy or development plans, an inability to fund the working capital and expansion of our businesses, inability to obtain necessary raw materials, weather conditions, changes in production efficiency of our facilities, and other factors described under "Special Note Regarding Forward-Looking Statements" contained in the 10-K. Given these uncertainties, all parties are cautioned not to place undue reliance on such Forward-Looking Statements. We disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the Forward-Looking Statements contained herein to reflect future events or developments. The Equity Group Inc. is retained by LSB Industries to provide investor relations services. The Equity Group Inc.'s officers and employees may have a position in the ownership of shares of stock of LSB. 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 post reconciliations to GAAP of any EBITDA numbers discussed during this presentation on our website at www.lsb-okc.com.

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