LSB INDUSTRIES

# Investor Presentation

August 2018

# Safe Harbor Statement

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identifiable by use of the words “may,” “believe,” “expect,” “intend,” “plan to,” “estimate,” “project” or similar expressions, and include but are not limited to: financial performance improvement; view on sales to mining customers; estimates of consolidated depreciation and amortization and future turnaround expenses; our expectation of production consistency and enhanced reliability at our Facilities; our projections of trends in the fertilizer market; improvement of our financial and operational performance; our planned capital additions; reduction of SG&A expenses; volume outlook and our ability to complete plant repairs as anticipated.

Investors are cautioned that such forward-looking statements are not guarantees of future performance and involve risk and uncertainties. Though we believe that expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectation will prove to be correct. Actual results may differ materially from the forward-looking statements as a result of various factors. These and other risk factors are discussed in the Company’s filings with the Securities and Exchange Commission (SEC), including those set forth under “Risk Factors” and “Special Note Regarding Forward-Looking Statements” in our Form 10-K for the year ended December 31, 2017 and, if applicable, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. All forward-looking statements included in this press release are expressly qualified in their entirety by such cautionary statements. We expressly disclaim any obligation to update, amend or clarify and forward-looking statement to reflect events, new information or circumstances occurring after the date of this press release except as required by applicable law.

Please see the EBITDA Reconciliation slide included in this presentation for other important information.

# Key Investment Highlights

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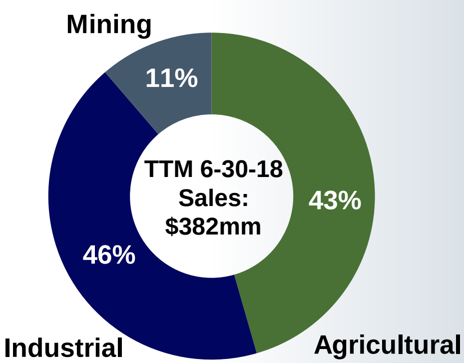
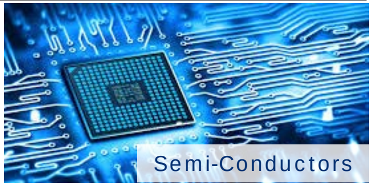
| | |
|---|---|
| 1 | Diversified Nitrogen Chemicals Business with differentiated end market positions |
| 2 | Business strength supported by stable Industrial and Mining Business with attractive EBITDA margins |
| 3 | Favorable long-term dynamics in Agricultural Business creates significant upside in EBITDA margins |
| 4 | Operational improvements benefiting from over $1 billion of recent investment and enhancement of maintenance management systems and other operating programs |

# 1 Diversified Nitrogen Chemicals Business with Differentiated End Market Positions




| | Key Products | End Markets | Application |
|---|---|---|---|
| Agricultural | • Urea ammonium nitrate solutions (UAN)<br>• Ammonium nitrate (AN) – High density prills<br>• Ammonia | • Fertilizer for corn and other crops<br>• Primary nitrogen component in nitrogen, phosphorus and potassium (NPK) fertilizer blends<br>• High nitrogen content fertilizer primarily used for corn |  |
| Industrial | • Ammonia<br>• Nitric Acid<br>• Sulfuric Acid<br>• Diesel exhaust fuel (DEF)<br>• $CO_2$ | • Power plant emissions abatement, water treatments, refrigerants, metals processing<br>• Semi-conductor, nylon polyurethane intermediates, ammonium nitrate<br>• Pulp and paper, aluminum, water treatment, metals and vanadium processing<br>• Exhaust steam additive to reduce $NO_x$ emissions from diesel vehicles<br>• Food refrigeration / freezing, enhanced oil recovery | <br><br> |
| Mining | • Ammonium nitrate – low density prills and AN solutions<br>• Specialty E2 ammonium nitrate | • Specialty emulsions for mining applications<br>• Surface mining, quarries, construction |  |

*Note: Sales exclude Zena and Summit. Beginning in 2018, LSB adopted Accounting Standards Update No. 2014-09 related to the new revenue recognition standards which will likely decrease reported industrial sales but is expected to have minimal impact on profitability.*

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# 1 Differentiated Business Profile Focuses on Customers / End Markets Where LSB Is Advantaged

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**Key Logistical Advantages**

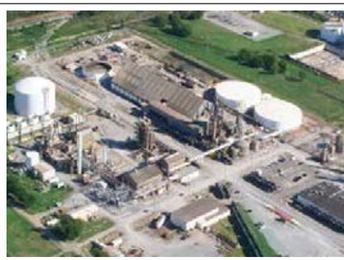
**El Dorado**

- Truck freight rate advantage on customers west of the Mississippi River
- Direct routes to western U.S. via rail

**Cherokee**

- ~$8-10/ton freight advantage vs. UAN shipments originating from the Gulf

**Pryor**



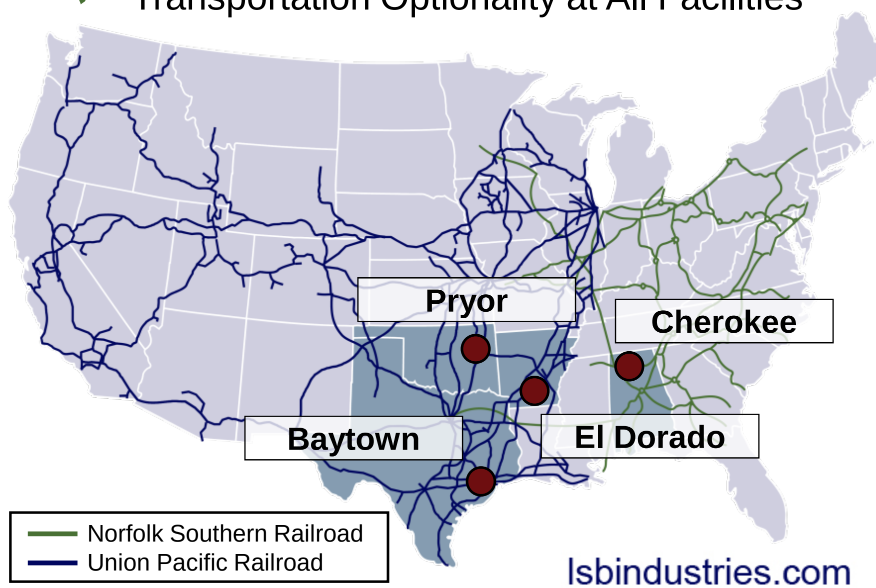
- Located in close proximity to the Northern Plains with easy access to the Port of Catoosa

**Baytown**

- Anhydrous ammonia feedstock is delivered via pipeline

**Centrally located assets with access to…**

- ✓ Northern Plains
- ✓ Southeast Paper Country
- ✓ Western Mining
- ✓ Customers not Freight Logical to Competitors
- ✓ Low Cost Feedstocks
- ✓ Transportation Optionality at All Facilities

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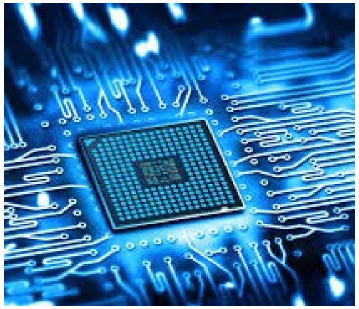
# 2 Business Supported By Stable Industrial and Mining Products Business

| Facility Location | Product | Method of Distribution | Regions Sold |
|---|---|---|---|
| El Dorado, AR | Ammonia, Acids, LDAN | • Ammonia pipeline; Union Pacific rail<br>• Purchase and sale agreement with Koch through 2019; bulk truck | • Industrial customers in U.S., Canada and Mexico<br>• Mining customers in the PRB[1] |
| Cherokee, AL | Ammonia, Acids, DEF, AN Solution, $CO_2$ | • Barge via Tennessee River; Norfolk Southern Rail; bulk truck; $CO_2$ pipeline | • Southeast, Mid-Atlantic, Ohio Valley and Gulf Coast |
| Pryor, OK | Ammonia, $CO_2$ | • Bulk trucking and Union Pacific Rail | • AR, AZ and OK |
| Baytown, TX | Nitric Acid | • Plant is owned by Covestro, operated by LSB through 2021 | • Gulf Coast |

- Leading marketer of nitric acid in the U.S.
- Direct rail linkage to western mining operations
- Longstanding customer relationships
- Customers assume commodity price risk



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[1] PRB = Powder River Basin.

# 2 Strength and Stability of Adjusted EBITDA Contribution from Industrial and Mining End Markets

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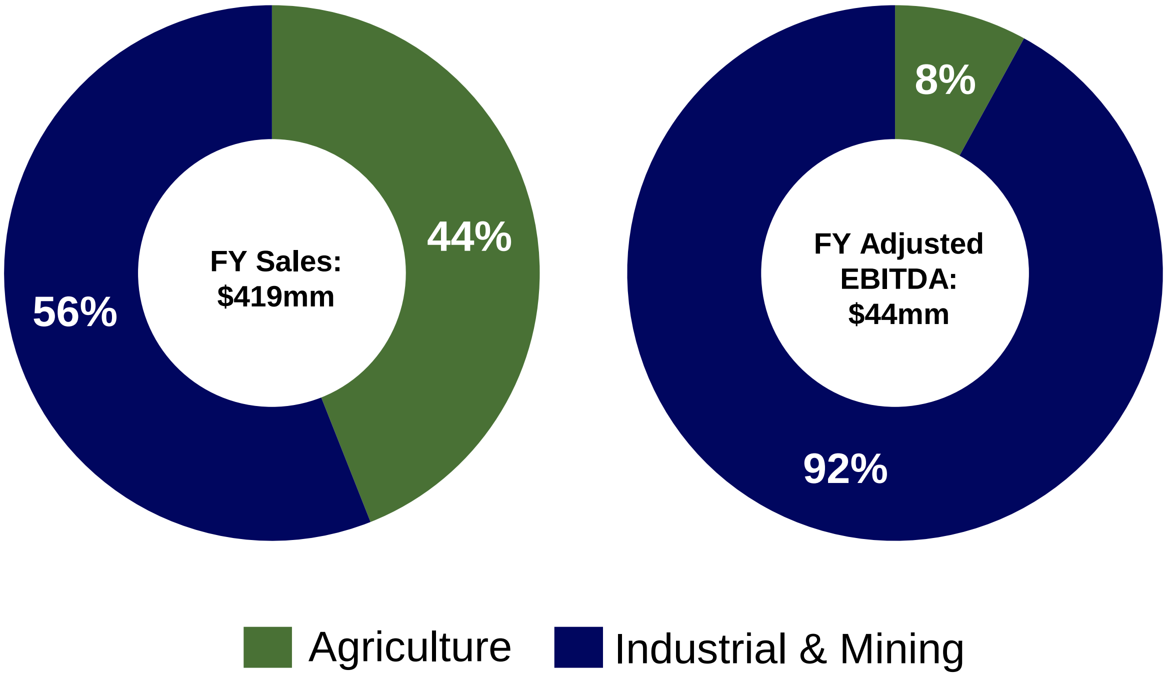
| 2017A Revenue Contribution by End Market | 2017A Adjusted EBITDA Contribution by End Market[1] | Adjusted EBITDA Margin by End Market[2] |
|---|---|---|




| | Run-Rate 2016A[3] | 2017A |
|---|---|---|
| Agriculture | ~8% | ~3% |
| Industrial & Mining | ~28% | ~36% |

***Strong Adjusted EBITDA margins in our Industrial and Mining end markets increase stability and base profitability of the overall business***

*Note: Figures exclude Zena and Summit. Beginning in 2018, LSB adopted Accounting Standards Update No. 2014-09 related to the new revenue recognition standards which will likely decrease reported industrial sales but is expected to have minimal impact on profitability.*

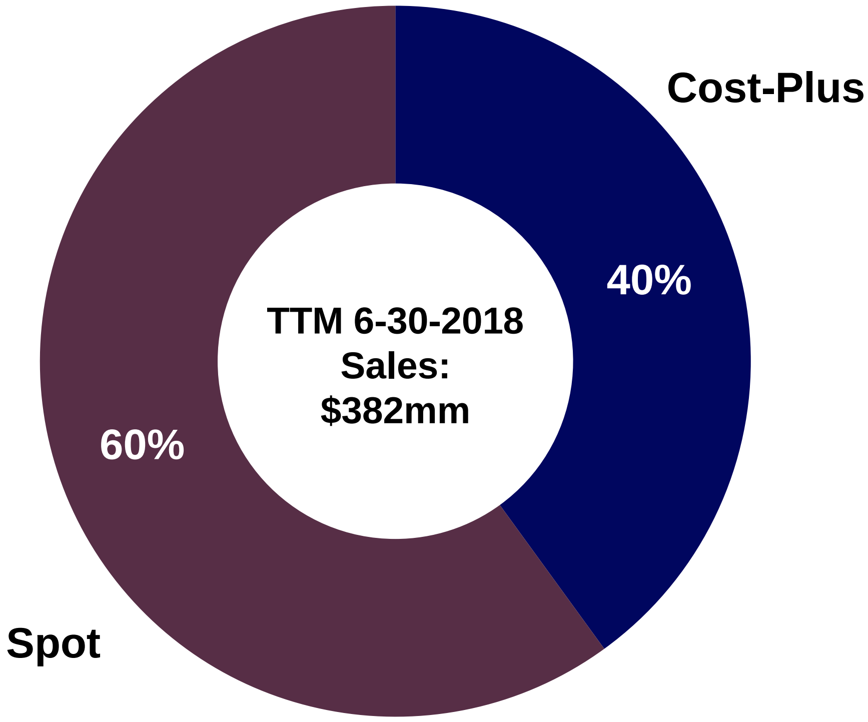
*[1] Adjusted EBITDA contribution based on end market Adjusted EBITDA and excludes corporate overhead costs and all turnaround costs.*

*[2] Adjusted EBITDA margin calculation based on end market sales and Adjusted EBITDA which excludes the grossed-up portion of Baytown sales.*

*[3] Assumes purchased ammonia in 2016 was replaced with produced ammonia at the then current natural gas cost and excludes one-time start-up and warranty expenses related to the new ammonia and nitric acid plants at El Dorado.*

# 2 Sales Mix Provides Stability and Look-Through In Contract Pricing

**Q2-2018 TTM Sales by Pricing Method**




- Over 40 percent of sales are currently non-seasonal and priced pursuant to contract agreements
- Contributes to margin stability through pass-through of raw materials and other manufacturing costs
- Positioned to optimize between cash flow stability and upside opportunities in commodity driven markets
- Approximately 68% of contracts are tied to benchmark Ammonia pricing

*Note: Figures do not include sales at Zena and Summit. Beginning in 2018, LSB adopted Accounting Standards Update No. 2014-09 related to the new revenue recognition standards which will likely decrease reported industrial sales but is expected to have minimal impact on profitability.*

# 2 Stable Industrial Market Demand

## Key Focus of LSB, Less so of Peers

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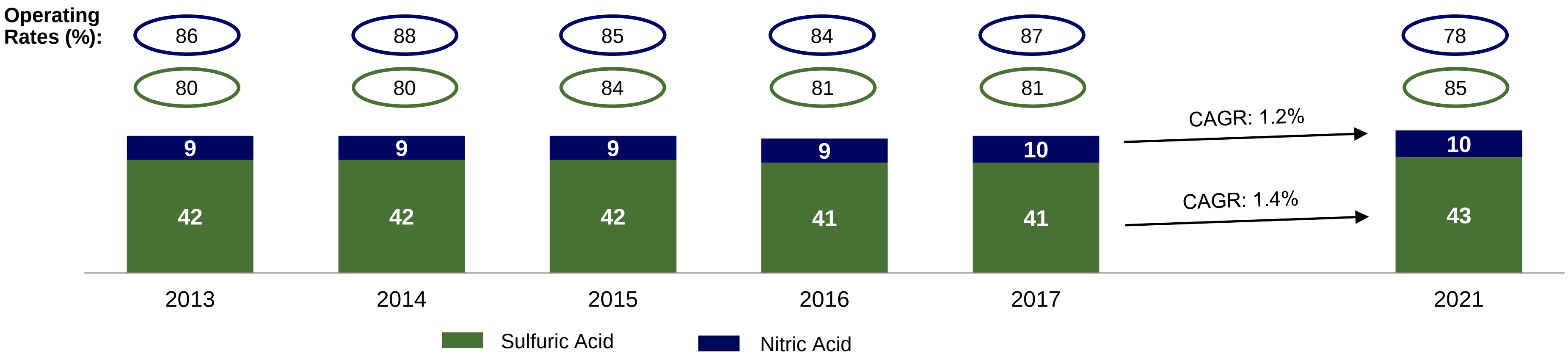
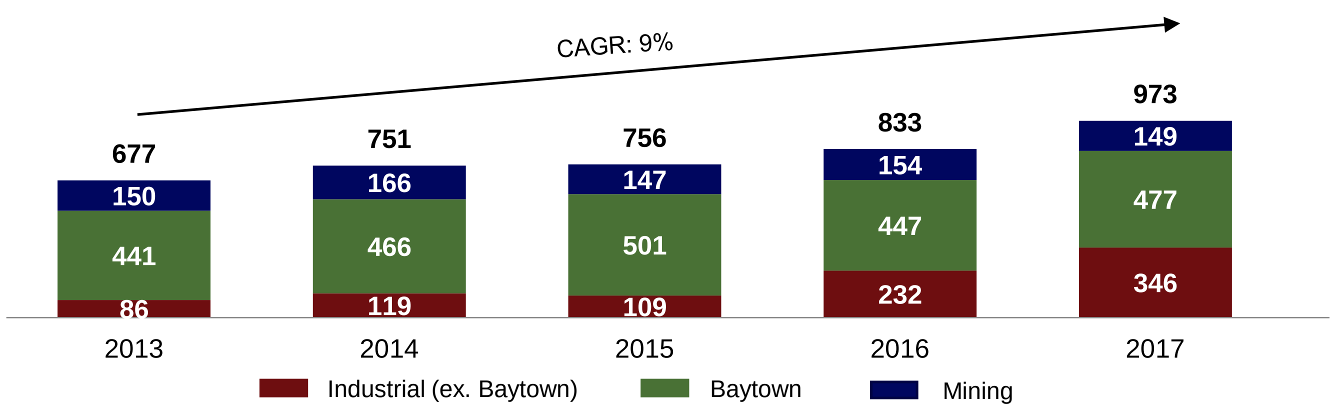
### Industrial End Market is Supported By Stable Demand for Sulfuric and Nitric Acid…

***North American Demand (mm metric tons)***




### And LSB Growth is Outpacing the Overall Market

***LSB Industrial & Mining Supply (000 metric tons)***




*Source: IHS 2017*

***Non-Seasonal Industrial & Mining Sales Increase Stability of LSB's Profitability***

***EDC expansion has significantly increased Industrial & Mining capacity; Industrial sales volume up >300% since 2013***

# 3 Diversified Agriculture Distribution Network and Logistics

| Facility Location | Product | Method of Distribution | Regions Sold |
|---|---|---|---|
| Pryor, OK | UAN<br>Ammonia | • Marketing agreement with CVR Partners<br>• Direct access to distributors / dealers / end users | Southern Plains & Corn Belt |
| Cherokee, AL | UAN | • Direct to distributors / dealers / end users | Eastern Corn Belt |
| El Dorado, AR | HDAN | • Direct to distributors / dealers / end users<br>• Through 10 Ag Centers | Southern Plains, South Central, Midwest & West |

- Multiple distribution channels
- Diverse geographic coverage
- Longstanding customer relationships
- Direct rail linkage to corn belt

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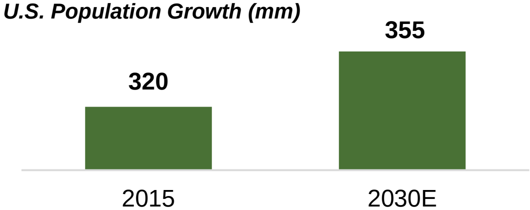
# 3 Long-Term Structural Macro Drivers Expected to Continue Driving Secular Growth

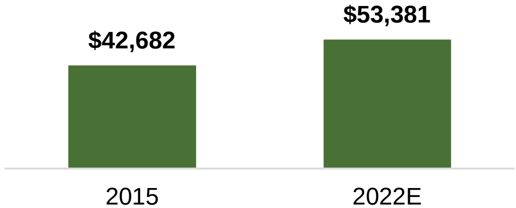
### Continued Population Growth

***U.S. Population Growth (mm)***




### Increased Consumption per Capita

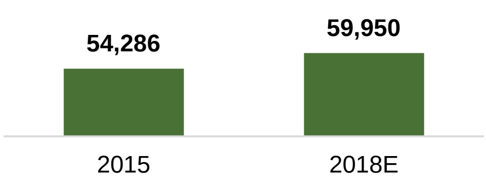
***U.S. Income per Capita***




***Higher incomes drive meat consumption***

### Stable Ethanol Production

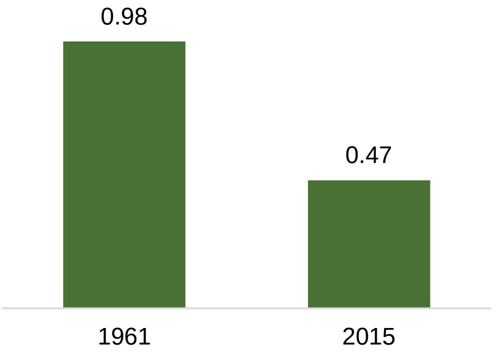
***U.S. Ethanol Production***




***Ethanol drives corn consumption***

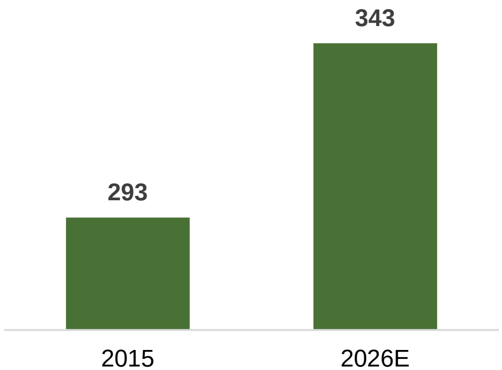
### Less Arable Land Per Person

***U.S. Arable Land per Person (Hectares)***



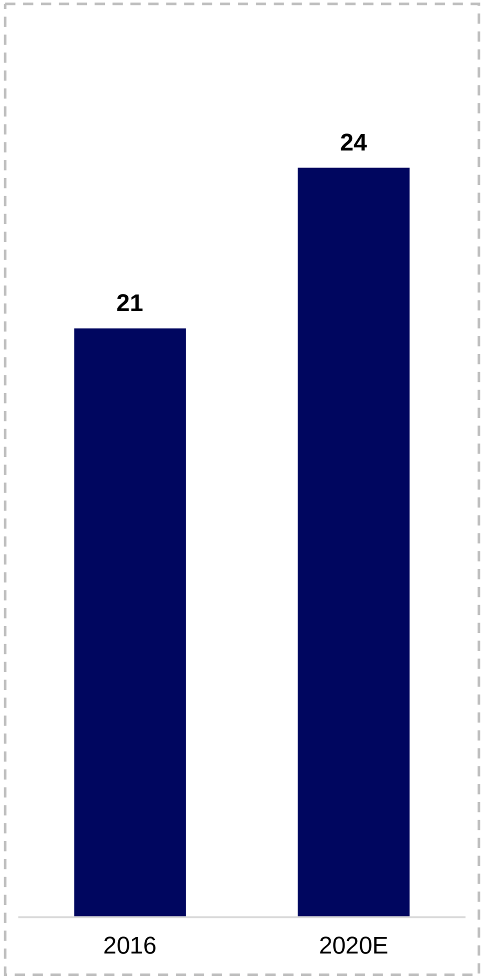

### Increasing U.S. Corn Consumption[1]

***MM Metric tons***




### Drives Ammonia Consumption

***North American Ammonia Demand***
***MM Metric tons)***



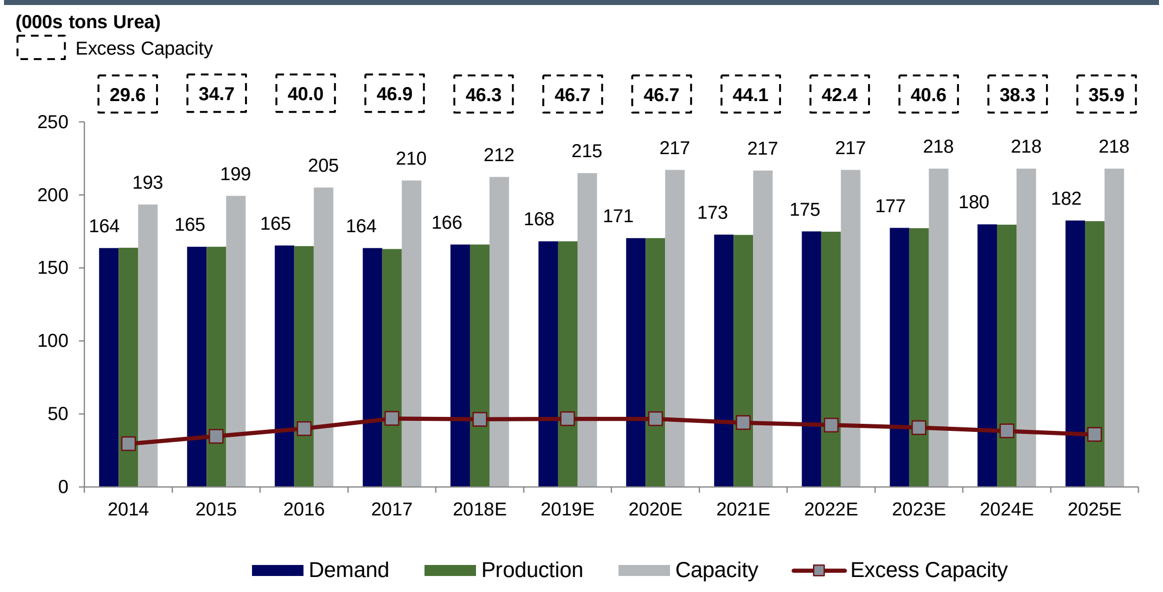

*Source: Business Monitor International (BMI), IMF, Bloomberg, The World Bank, USDA and Fertecon*

*[1] Estimated from global consumption assuming 2016 global consumption split remains constant throughout the forecast period.*

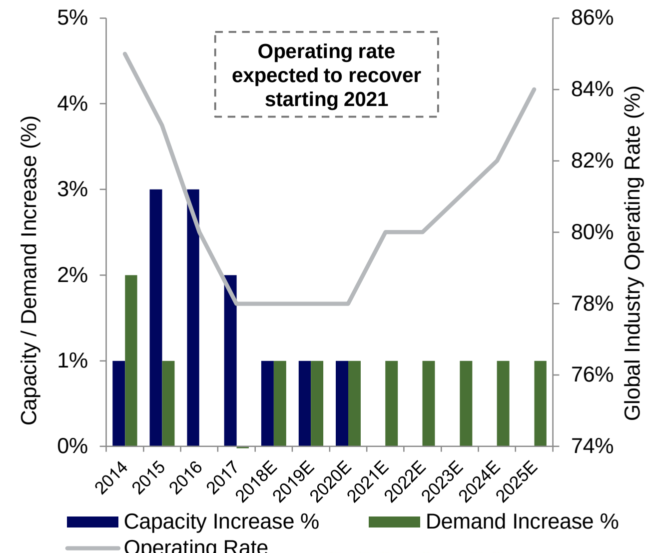
# 3 Global Ammonia Market is Expected to Gain Momentum

- The global nitrogen market recovery is projected to gain momentum in 2018, driven by the completion of all expansion projects and lower global operating rates
- ~30% of global announced capacity expansions, much of which were in the U.S., have been cancelled or postponed partly due to feasibility concerns
- Operating rates in China (the largest nitrogen fertilizer producer), together with temporary shutdowns in parts of Europe and Former Soviet Union (FSU), would keep the global operating rates at 10-15% lower than the historical average of 80-85%
- Additionally, the global nitrogen cost curve could steepen from rising energy prices
  - **The North American players at the bottom of the curve would benefit from relatively lower natural gas prices**
- Global demand could grow by 15mt, which would help to balance the new supply additions through 2021
- Tightening supply-demand dynamics, evident in rising operating rates, expected to drive ammonia prices higher globally

**Positive Global Demand Expected to Push Excess Capacity Lower**




**Urea Global Operating Rates Expected to Gain Momentum Through 2025E**




*Source: Wall Street Research*

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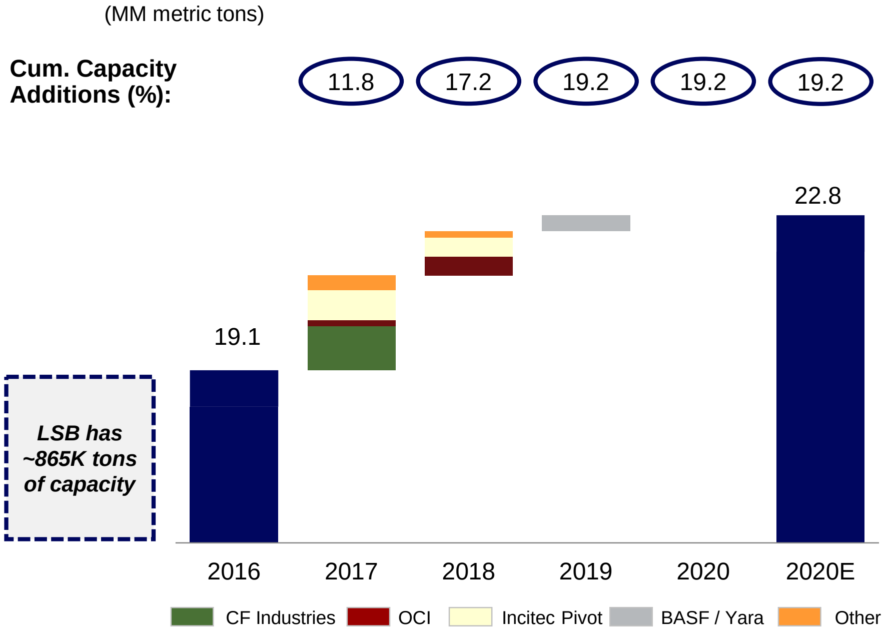
# 3 North American Projected Capacity Rationalization is Supported by Attractive Demand Trends

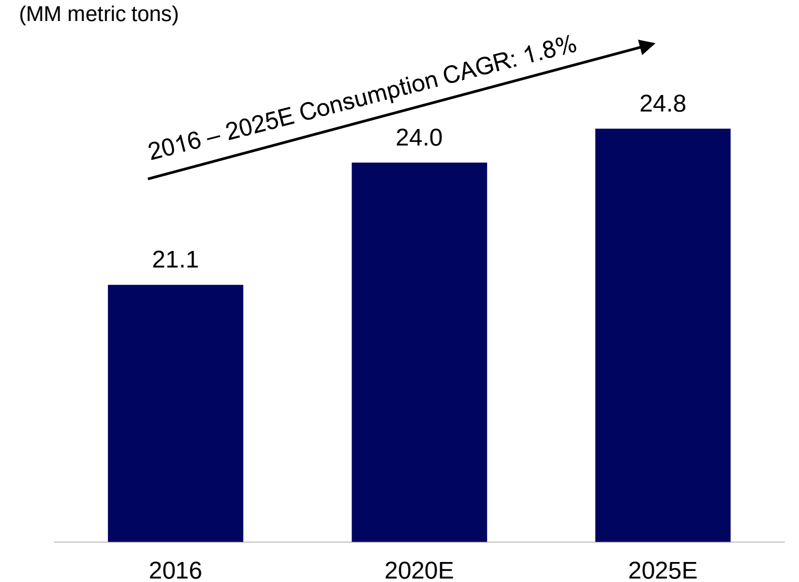
- In the recent past, lower natural gas prices have prompted many North American producers to announce significant capacity additions, which have weighed down ammonia prices
- Planned capacity additions in North America, much of which were cancelled, are mostly behind us
- Growing demand expected to reduce ammonia oversupply and drive higher operating rates
    - **Higher operating rates expected to materially improve as demand grows closer to total production capacity**
- As supply-demand dynamics tighten, ammonia price recovery expected to gain momentum

**North American Ammonia Capacity Outlook**




*LSB has ~865K tons of capacity*

**North American Ammonia Demand**



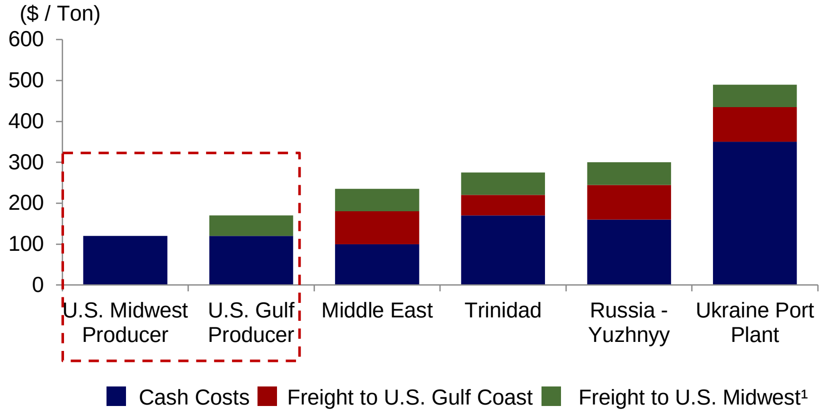

***2020 North American capacity shortfall will reach 3-4mm tons as Agrium, Koch and Dakota Gas take ammonia capacity out of market due to Urea capacity upgrade***

*Source: Fertecon, CRU and Wall Street Research*

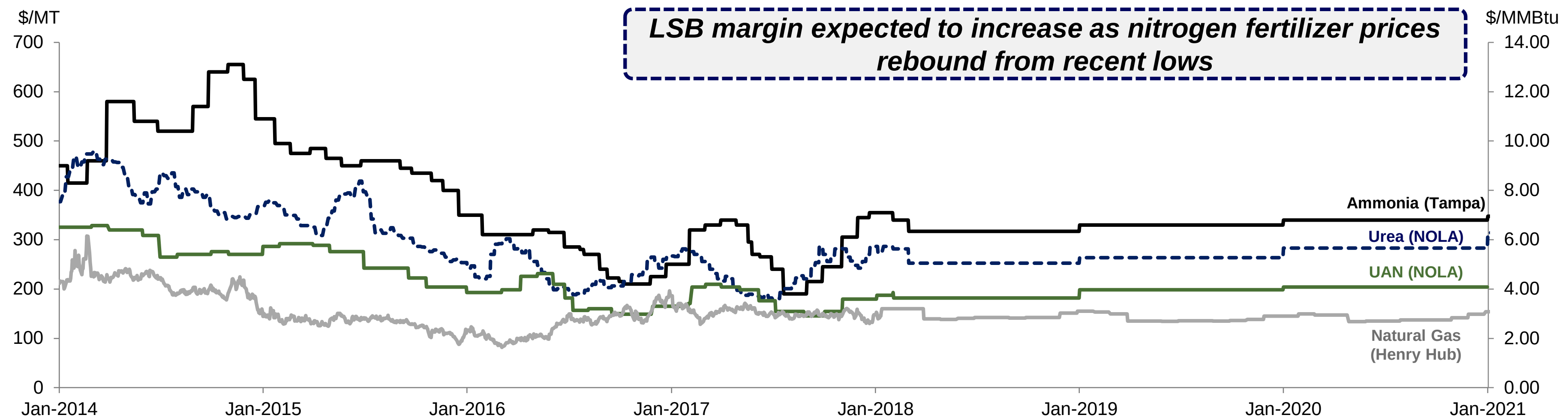
# 3 Attractive Combination of Low Priced Feedstock in an Increasing Ammonia Price Environment

- Due to large shale gas deposits and technological advancements, domestic natural gas prices are expected to remain low
- The low cost position for U.S. ammonia producers is expected to allow domestic producers to take advantage of future demand and capacity increases
- While ammonia prices have been positively correlated with natural gas prices, as the price gap between the two commodities widen, LSB is expected to have opportunities for margin expansion and cash flow generation
- **LSB is positioned to benefit from a widening gap between a highly attractive cash cost position driven by low gas prices and increasing ammonia products prices**

**U.S. Ammonia Producers have a Commanding Position as the World's Lowest Cost Producer Serving the US Market**




**Spot Price Recovery Well Underway Across All Main Ammonia Products While Natural Gas Prices Remain Stagnant[2]**




***These forecasts are provided for information purposes only. Commodity price forecasts are inherently speculative and should not be relied upon. Actual prices may vary from these forecasts, and the difference may be material.***

*Source: Bloomberg, Fertecon, PotashCorp, and Wall Street Research*

*[1] Includes related handling costs. [2] Natural gas projections based on NYMEX forward curve. Nitrogen price projections based on the median of broker forecasts.*

# 3 Illustrative EBITDA Impact Associated with Changes in Product Selling Prices & Feedstock Costs

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(Based on 2018 Volumes)

| | Q3 2017 Actual Average Pricing | Current Average Pricing | Change | | FY EBITDA Impact |
|---|---|---|---|---|---|
| Tampa Ammonia[1] | $211 / MT | $280 / MT | $10.00 | +/- | $3.8mm |
| UAN[1] | $124 / ST | $155 / ST | $10.00 | +/- | $4.8mm |
| HDAN[1] | $203 / ST | $208 / ST | $10.00 | +/- | $3.0mm |
| **Illustrative Impact from $10/ton change** | | | | +/- | **~$11.6mm** |
| Natural Gas ($/MMBtu) | $2.92 / MMBtu | $2.70 / MMBtu | $0.10 | +/- | $2.4mm |

**Based on management estimates. Actual pricing impacts may vary based on a number of factors, including many that are beyond the Company's control. For illustrative purposes only.**

[1] *Sensitivity calculated on products available for sale based on annual producing capacity.*

# 4 Significant Investment of Capital Will Drive Improved Financial Performance

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## Total 2013-2017 Capex Spend

$MM

| Site | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| El Dorado, AR | $102 | $204 | $449 | $144 | $15 | **$914** |
| Cherokee, AL | 29 | 21 | 7 | 14 | 6 | **77** |
| Pryor, OK | 20 | 9 | 11 | 7 | 16 | **63** |
| Other | - | - | 3 | - | - | 3 |
| **Total** | **$151** | **$234** | **$470** | **$165** | **$35** | **$1,054** |

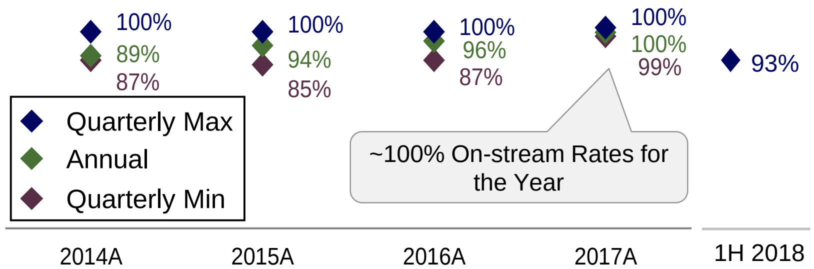
- **Completion of $1 billion in total capex spend, with lasting impact, made over the last 5 years**
  - Successful turnarounds and momentum at plants that have experienced historical unplanned downtime
  - Recent company-wide initiatives resulting in increased accountability at facilities to improve reliability
  - New El Dorado ammonia plant operating above nameplate capacity while implementing efficiency improvements
  - Replacement of urea reactor at Pryor on order and planned install in 2018; improved reliability and increased production/capacity
- **Minimal expansion capex requirements going forward, enabling management to focus on operational improvements and de-leveraging**

# 4 Operational Improvement Program Across Facilities Mostly Complete

**Ammonia On-Stream Rates[1]**

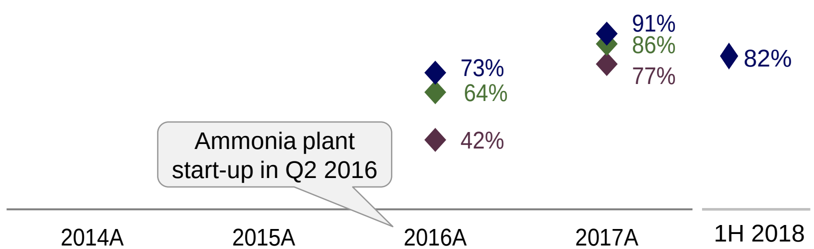
**Key Accomplishments**

**Cherokee**



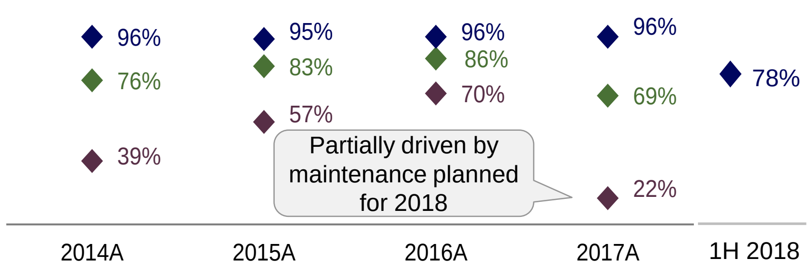

- Consistently maintained on-stream rates around 95% and expect to achieve these levels moving forward
- 85% Q1 2018 on-stream rate
- 100% Q2 2018 on-stream rate

**El Dorado**




- Steady improvement in on-stream rates each quarter since start-up in mid-2016
- 100% Q1 2018 on-stream rate
- 62% Q2 2018 on-stream rate

**Pryor**




- BD ammonia plant and Black & Veatch full plant assessments were completed in Q2 2018
- 91% Q1 2018 on-stream rate
- 65% Q2 2018 on-stream rate

***Seeing trend improvements at each facility, and continuing to identify opportunities to increase up-time and efficiency***

[1] *Ammonia On-Stream Rate is the number of hours operating divided by total hours in the period, excluding turnarounds.*

# Reliability and Operations Improvement

- Implementation of original scope is complete; working on additional improvements
- Commonality of platform across all plants
- KPI measurements / targeted improvements
- Working on downtime risk assessment of critical equipment
- Preventive and predictive maintenance program is enhanced
- Improve Operating and Maintenance procedures
- Precision maintenance training

# Financial Overview

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# LSB Consolidated Financial Highlights

## Second Quarter 2018

| ($ In Millions, Except EPS) | Three Months Ended June 30, 2018 | 2017 | Change | Six Months Ended June 30, 2018 | 2017 | Change |
|---|---|---|---|---|---|---|
| **Net sales** | $ 103.2 | $ 122.9 | $ (19.7) | $ 203.6 | $ 246.2 | $ (42.6) |
| **Adjusted net sales** [(1)] | $ 103.2 | $ 105.2 [(1)] | $ (2.0) | $ 203.6 | $ 207.3 [(1)] | $ (3.7) |
| **Gross profit** | $ 3.1 | $ 11.4 | $ (8.3) | $ 13.2 | $ 23.0 | $ (9.8) |
| *% of adjusted net sales* | *3.0%* | *10.8%* | *-7.8%* | *6.5%* | *11.1%* | *-4.6%* |
| **Selling, general and administrative expense** | $ 8.4 | $ 8.2 | $ 0.2 | $ 16.7 | $ 18.7 | $ (2.0) |
| *% of adjusted net sales* | *8.2%* | *7.8%* | *0.4%* | *8.2%* | *9.0%* | *-0.8%* |
| **Operating income (loss)** | $ (5.9) | $ (0.3) | $ (5.6) | $ (4.0) | $ 2.1 | $ (6.1) |
| *% of adjusted net sales* | *-5.7%* | *-0.3%* | *-5.4%* | *-2.0%* | *1.0%* | *-3.0%* |
| **Interest expense, net** | 11.7 | 9.3 | 2.4 | 21.0 | 18.7 | 2.3 |
| **Loss on extinguishment of debt** | 6.0 | - | 6.0 | 6.0 | - | 6.0 |
| **Non-operating other expense (income), net** | (0.3) | 0.2 | (0.5) | (1.2) | 0.4 | (1.6) |
| **Loss before benefit for income taxes** | $ (23.2) | $ (9.8) | $ (13.5) | $ (29.7) | $ (17.0) | $ (12.7) |
| **Provision (benefit) for income taxes** | 4.3 | (2.8) | 7.0 | 3.4 | (4.0) | 7.4 |
| **Net loss** | $ (27.5) | $ (7.0) | $ (20.5) | $ (33.1) | $ (13.0) | $ (20.1) |
| *% of adjusted net sales* | *-26.6%* | *-6.7%* | *-19.9%* | *-16.3%* | *-6.3%* | *-10.0%* |
| **Diluted EPS** | $ (1.27) | $ (0.53) | $ (0.74) | $ (1.77) | $ (1.02) | $ (0.75) |
| **EBITDA** [(2)] | $ 14.0 | $ 17.0 | $ (3.0) | $ 35.1 | $ 36.7 | $ (1.6) |
| **Adjusted EBITDA** [(2)] | $ 16.4 | $ 22.2 | $ (5.8) | $ 39.2 | $ 42.8 | $ (3.6) |
| **Adjusted EBITDA excluding businesses sold in 2017** [(2)] | $ 16.4 | $ 21.7 | $ (5.3) | $ 39.2 | $ 40.6 | $ (1.4) |
| **Adjusted EBITDA excluding Turnaround costs** [(2)] | $ 17.8 | $ 21.7 | $ (3.9) | $ 40.9 | $ 40.6 | $ 0.3 |

(1) Due to the January 1, 2018 adoption of ASC 606, Revenue from Contracts with Customers (“ASC 606”), certain industrial sales and associated cost of sales are no longer recognized. Since we adopted ASC 606 using the “modified retrospective” method, the prior periods were not restated. If we had applied ASC 606 to these specific arrangements during the second quarter and first half of 2017, net sales for these products would have been reduced by approximately $15.6 million and $33.3 million, respectively. ASC 606 had no net impact on operating income. Additionally, for the three and six month periods ending June 30, 2017, net sales includes approximately $2.1 million and $5.6 million, respectively, of revenue associated with business sold in Q2 and Q3 of 2017.

(2) Refer to Appendix for reconciliation of EBITDA and Adjusted EBITDA.

# Second Quarter – 2018 vs. 2017

**($ In Millions)**

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| | Quarter Ended 2018 | Quarter Ended 2017 |
|---|---|---|
| **Total Consolidated Adjusted EBITDA** | **$17.8** | **$21.7** |

| | |
|---|---|
| **2017** | **$21.7** |
| Higher selling prices | 3.8 |
| Lower natural gas cost | 3.3 |
| Lower sales volumes | (4.3) |
| Lost absorption and higher costs associated with downtime | (4.3) |
| Prior year catalyst recoveries | (2.4) |
| **2018** | **$17.8** |

**Second quarter of 2018 impacted by unplanned downtime impacting EBITDA by approximately $15 million.**

# Capital Structure

| $ In Millions | 6/30/18 |
|---|---|
| Cash | **$ 47.2** |
| Senior Secured Notes | 400.0 |
| Working Capital Revolver ($34.3 mm of availability at 6/30/18) | - |
| Other Debt | 33.0 |
| Unamortized Discount and Debt Issuance Costs | (16.6) |
| Total Long-Term Debt, Including Current Portion, net | **$ 416.4** |
| Series E and F Redeemable Preferred Stock ($198.2 million liquidation preference including accrued dividends) | **$ 187.4** |
| Total Stockholders’ Equity | **$ 392.5** |

**Key Information:**

**Senior Secured Notes**

- $400 million at 9.625%
- Due May 2023

**Redeemable Preferred Stock**

- $198 million at 14%
- Callable at par

**Working Capital Revolver**

- $50 million (Prime + 50 bps; currently 5.5%)
- Expires January 2022
- No borrowings at June 30, 2018

# Consolidated Annual EBITDA
## Illustrative Sensitivity Analysis ($ In Millions)

LSB INDUSTRIES

*Potential for Significant Earnings Power at Optimal Operating Rates*

| | | Natural Gas Price per MMBtu | | | | |
|---|---|---|---|---|---|---|
| | | $2.50 | $3.00 | $3.50 | $4.00 | $4.50 |
| Tampa Ammonia price per MT | $450 | $226 | $214 | $202 | $190 | $178 |
| | $400 | $194 | $182 | $170 | $158 | $146 |
| | $350 | $162 | $150 | $138 | $126 | $114 |
| | $300 | $130 | $118 | $106 | $94 | $82 |
| | $250 | $98 | $86 | $74 | $62 | $50 |
| | $200 | $66 | $54 | $42 | $30 | $17 |

**Note: The model above is only intended to illustrate the relationship between variables. It is not an estimate of operating results for any future period.**

**Key factors in model above:**

- Assumes no turnaround at any facility and related impact from lost production/sales and expenses. Note: Company is on a three-year turnaround cycle, which will include turnarounds in the current fiscal year.
- Tampa Ammonia price assumes average over the full year
- Average ammonia plant on-stream rate of 97%, 95% and 95% at El Dorado, Cherokee and Pryor, respectively (excluding turnaround)
- Assumes that a $50/MT change in ammonia price is equivalent to a $21 per short ton change in UAN price and a $23 per short ton change in AN price
- Minimal growth of mining sales
- No incremental cost savings over previously announced savings

**Actual results may vary based on a number of factors, including many that are beyond the control of the Company. For illustration purpose only**

# Appendix

LSB INDUSTRIES

# EBITDA Reconciliation

| **LSB Consolidated ($ In Millions)** | Three Months Ended June 30, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|---|---|
| **Net loss:** | **($27.5)** | **($7.0)** | **($33.1)** | **($13.0)** |
| Plus: | | | | |
| Interest expense | 11.7 | 9.3 | 21.0 | 18.7 |
| Loss on extinguishment of debt | 6.0 | - | 6.0 | - |
| Depreciation, depletion and amortization | 19.5 | 17.5 | 37.8 | 35.1 |
| Provision (benefit) for income taxes | 4.3 | (2.8) | 3.4 | (4.1) |
| **EBITDA (1)** | **$14.0** | **$17.0** | **$35.1** | **$36.7** |
| Stock-based compensation | 1.6 | 1.6 | 3.0 | 2.8 |
| Derecognition of death benefit accrual | - | - | - | (1.4) |
| Loss on sale of a business and other property and equipment | 0.5 | 3.6 | 0.5 | 4.1 |
| Fair market value adjustment on preferred stock embedded derivatives | (0.3) | - | (1.1) | 0.6 |
| Consulting costs associated with reliability and purchasing initiatives | 0.6 | - | 1.7 | - |
| **Adjusted EBITDA (2)** | **$16.4** | **$22.2** | **$39.2** | **$42.8** |
| EBITDA from businesses sold | - | (0.5) | - | (2.2) |
| **Adjusted EBITDA excluding businesses sold in 2017** | **$16.4** | **$21.7** | **$39.2** | **$40.6** |
| Turnaround costs | 1.4 | - | 1.7 | - |
| **Adjusted EBITDA excluding Turnaround** | **$17.8** | **$21.7** | **$40.9** | **$40.6** |

(1) EBITDA is defined as net income (loss) plus interest expense, plus loss on extinguishment of debt, plus depreciation, depletion and amortization (DD&A) (which includes DD&A of property, plant and equipment and amortization of intangible and other assets), plus provision (or less benefit) for income taxes. We believe that certain investors consider EBITDA a useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance. EBITDA has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to a similarly titled measure of other companies. The above table provides a reconciliation of net income (loss) to EBITDA for the periods indicated.

(2) Adjusted EBITDA is reported to show the impact of one time/non-cash or non-operating items-such as, loss on sale of a business and other property and equipment, one-time income or fees, certain fair market value adjustments, non-cash stock-based compensation, and consulting costs associated with our 2018 reliability and purchasing initiatives. Consulting costs associated with our 2018 reliability and purchasing initiatives were not adjusted in the first quarter of 2018 and as a result this was updated in the six months ended as shown below. For comparative purposes, 2017 is also adjusted to remove the impact of businesses sold during 2017. We historically have performed Turnaround activities on an annual basis, however we are moving towards extending Turnarounds to a two or three-year cycle. Rather than being capitalized and amortized over the period of benefit, our accounting policy is to recognize the costs as incurred. Given these Turnarounds are essentially investments that provide benefits over multiple years, they are not reflective of our operating performance in a given year. As a result, we believe it is more meaningful for investors to exclude them from our calculation of adjusted EBITDA used to assess our performance. We believe that the inclusion of supplementary adjustments to EBITDA is appropriate to provide additional information to investors about certain items. The following tables provide reconciliations of EBITDA excluding the impact of the supplementary adjustments. Our policy is to adjust for non-cash, non-recurring, non-operating items that are greater than $0.5 million quarterly or cumulatively.

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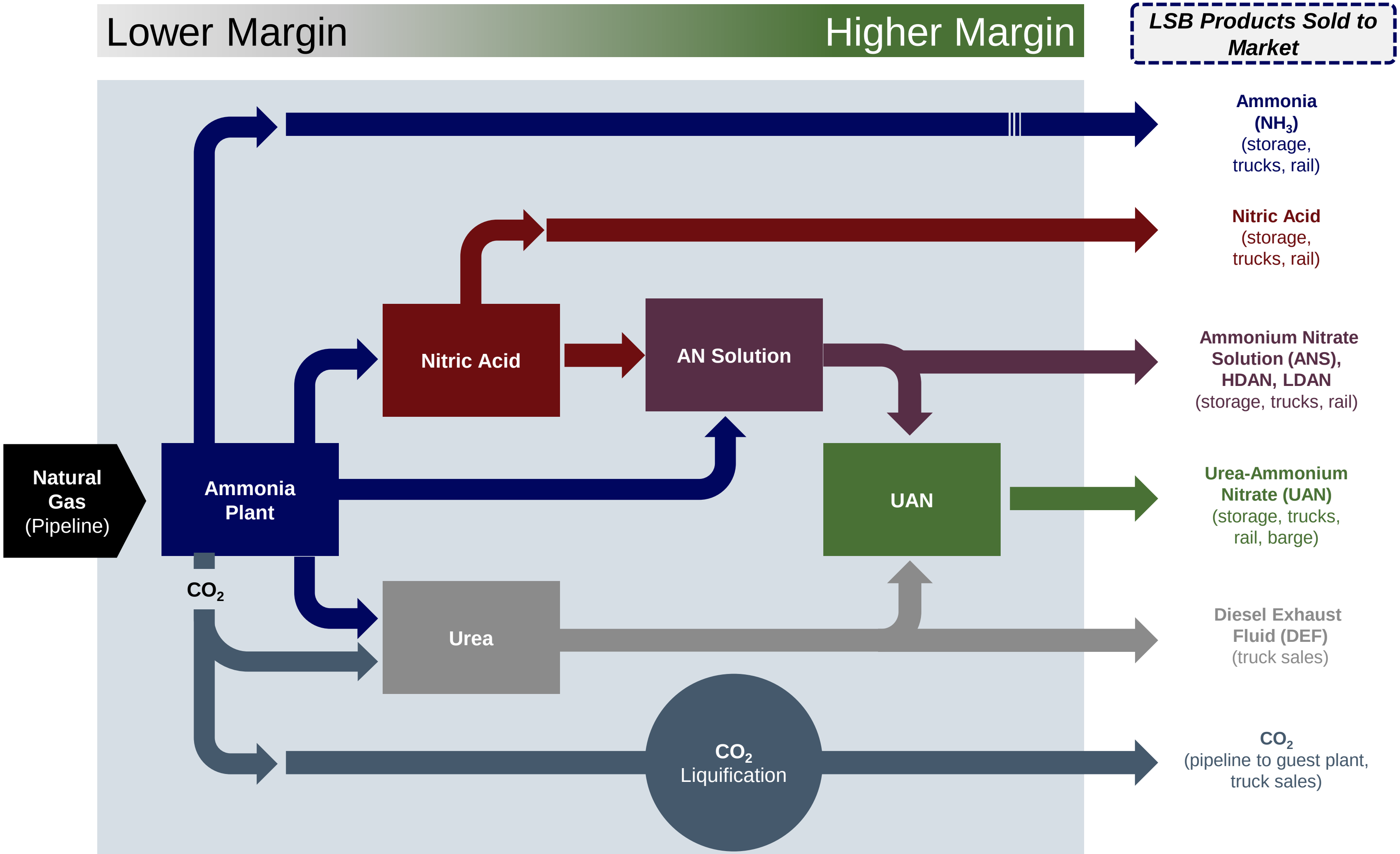
# Net Sales Reconciliation

| | Three Months Ended June 30, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|---|---|
| Net sales ($ in millions) | | | | |
| Agricultural | $ 58.0 | $ 57.2 | $ 110.3 | $ 120.5 |
| Industrial | 32.8 | 53.2 | 70.9 | 102.1 |
| Mining | 12.4 | 10.4 | 22.4 | 18.0 |
| Other | - | 2.1 | - | 5.6 |
| Total net sales | $ 103.2 | $ 122.9 | $ 203.6 | $ 246.2 |
| Impact of ASC 606 – Industrial | - | (15.6) | - | (33.3) |
| Revenue from businesses sold in 2017 | - | (2.1) | - | (5.6) |
| Total adjusted net sales (1) | $ 103.2 | $ 105.2 | $ 203.6 | $ 207.3 |

(1) Since we adopted ASC 606 using the “modified retrospective” method, the prior periods were not restated. As a result, we are presenting Adjusted Net Sales to show the impact of applying ASC 606 to certain arrangements for the first quarter of 2017 consistent with accounting treatment used for the same period in 2018. ASC had no net impact on operating income. Additionally, net sales is adjusted to remove revenue associated with businesses sold in 2017.

# LSB Simplified Manufacturing Process Overview




***Products are marketable at nearly every stage of the process, allowing for optimization of product mix to capture value opportunities***

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