



# Investor Presentation

September 2016

# Safe Harbor Statement

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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 “believe,” “expect,” “intend,” “plan to,” “estimate,” “project” or similar expressions, and include but are not limited to: our ability to deleverage with proceeds of the Climate Control Business sale; financial performance improvement in the second half of 2016; 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, including our Cherokee and Pryor Facilities after turnarounds; our projections of trends in the fertilizer market; improvement of our financial and operational performance; reduction of our overall cost of capital; our planned capital additions for 2016; and volume outlook.

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, including, but not limited to: general economic conditions; weather conditions; ability to install necessary equipment and renovations at our Facilities in a timely manner; changes to federal legislation or adverse regulations; increased competitive pressures, domestic and foreign; ability to complete transactions to address our leveraged balance sheet and cash flow requirements; loss of significant customers; increased costs of raw materials; and other factors set forth under “Risk Factors” and “Special Note Regarding Forward-Looking Statements” in our Form 10-K for the year ended December 31, 2015 and, if applicable, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, which contain a discussion of a variety of factors which could cause future outcomes to differ materially from the forward-looking statements contained in this release. 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.

# Why LSB? Executing on Strategic Plan to Drive Growth and Enhance Shareholder Value

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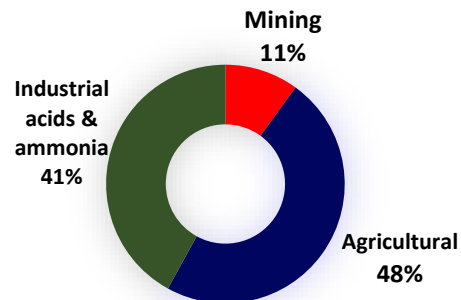


- 1 Operates well-diversified Chemical businesses with differentiated market positions
- 2 Well-positioned for growth with major expansion completed
- 3 Implemented operating improvement plans that are enhancing plant reliability/performance
- 4 Deleveraging by using net proceeds from the sale of our Climate Control Business while reducing our overall cost of capital
- 5 Reviewing our current cost structure with a goal to reduce overall SG&A by \$4 million to \$5 million annually

# Business Overview

- 4 production facilities
  - El Dorado, Arkansas
  - Cherokee, Alabama
  - Pryor, Oklahoma
  - Baytown, Texas
- Provides nitrogen based agricultural, mining and industrial chemicals to North American market
- Leading merchant marketer of nitric acid in the U.S.
- Major investments underway to reduce costs and increase facility reliability and capacity
- Positioned to benefit from strong agricultural market with favorable margins

## Sales mix



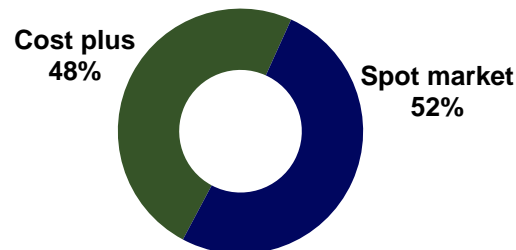
A key strategy is to optimize sales mix: industrial vs. agricultural

LTM 6/30/16 sales: **\$379 million**

## Select customers






## Cost-plus agreements versus spot market sales (LTM 6/30/16)



Approximately half our sales are non-seasonal and priced pursuant to cost-plus agreements

# Diverse Products with Broad Application



	 <b>Products</b>	 <b>Uses</b>	 <b>Competitors</b>
<b>Agricultural Chemicals</b> <b>48%</b> of sales	<ul style="list-style-type: none"> <li>• Urea ammonium nitrate solutions (UAN)</li> <li>• Ammonium nitrate - high density prills (AN)</li> <li>• Ammonia</li> </ul>	<ul style="list-style-type: none"> <li>• Fertilizer for corn and other crops</li> <li>• Primary nitrogen component in NPK fertilizer blends</li> <li>• High nitrogen content fertilizer primarily used for corn</li> </ul>	<ul style="list-style-type: none"> <li>• CF Industries Holdings Inc., PCS Nitrogen Inc., Koch Industries Inc., Rentech Inc., CVR Partners LP, imports</li> <li>• CF Industries Holdings Inc., imports</li> <li>• Various</li> </ul>
<b>Industrial Acids, Ammonia &amp; DEF</b> <b>41%</b> of sales	<ul style="list-style-type: none"> <li>• Nitric acid</li> <li>• Sulfuric acid</li> <li>• Ammonia</li> <li>• Diesel exhaust fluid (DEF)</li> </ul>	<ul style="list-style-type: none"> <li>• Semi-conductor, nylon, polyurethane intermediates, ammonium nitrate</li> <li>• Pulp and paper, alum, water treatment, metals and vanadium processing</li> <li>• Power plant emissions abatement, water treatment, refrigerants, metals processing</li> <li>• Exhaust stream additive to reduce NO<sub>x</sub> emissions from diesel vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• CF Industries Holdings Inc., PCS Nitrogen Inc.</li> <li>• Cytex Industries Inc., Chemtrade Logistics Inc.</li> <li>• Various</li> <li>• Various</li> </ul>
<b>Mining Products</b> <b>11%</b> of sales	<ul style="list-style-type: none"> <li>• Ammonium nitrate – low density prills (AN) and AN solutions</li> <li>• Specialty E2 ammonium nitrate</li> </ul>	<ul style="list-style-type: none"> <li>• Specialty emulsions for mining applications</li> <li>• Surface mining, quarries, construction</li> </ul>	<ul style="list-style-type: none"> <li>• CF Industries Holdings Inc., PCS Nitrogen Inc., Dyno Nobel America Inc., Orica Ltd</li> <li>• Imports</li> </ul>

# LSB's Agricultural Distribution



<b>Pryor, OK</b>	<b>UAN Ammonia</b>	<b>Koch, CVR, Distributors &amp; Dealers</b>	<b>Southern Plains &amp; Corn Belt</b>
<b>Cherokee, AL</b>	<b>UAN</b>	<b>Transammonia, The Andersons, CHS, Koch, et.al.</b>	<b>Eastern Corn Belt</b>
<b>El Dorado, AR</b>	<b>AN Ammonia</b>	<b>Ag Centers Distributors &amp; Dealers, Koch</b>	<b>Southern Plains, South Central, Midwest &amp; West</b>

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



# Production Facilities



Facility	El Dorado	Cherokee	Pryor	Baytown
Location	El Dorado, AR	Cherokee, AL	Pryor, OK	Baytown, TX
Year Acquired/Built	1983	1999	2000	2000
Ammonia Design	Kellogg	Kellogg	Pritchard	-
Plant Area (acres)	150	160	47	2
Site Area (acres)	1,400	1,300	104	Covestro's site
Feedstock	natural gas	natural gas	natural gas	ammonia
Agricultural Products	UAN	x	x	
	High Density AN	x		
	Ammonia	x	x	x
	Urea		x	x
Industrial & Mining Products	Nitric Acid	x	x	x
	Concentrated Nitric Acid	x		
	Sulfuric Acid	x		
	Mixed Acid	x		
	Carbon Dioxide	x	x	x
	Ammonia	x	x	x
	DEF		x	
	Low Density AN	x		
	AN solutions	x	x	x
	Transportation to Market	truck, rail, pipeline	truck, rail, pipeline, barge	truck, rail

# Annual Production Capacity of Products Available for Sale



(Tons in thousands)

Facility:		El Dorado	Cherokee	Pryor	Baytown	Total
Feedstock		Natural gas	Natural gas	Natural gas	Ammonia	
Ammonia Production Capacity		375	175	215	–	765
<b>Products Available for Sale</b>						
Agricultural Products	UAN	–	215	270	–	485
	High Density AN <sup>(1)</sup>	300	–	–	–	300
	Ammonia <sup>(2)</sup>	160	40	110	–	310
Industrial & Mining Products	Nitric Acid	50	30	–	410	490
	DEF	–	15	–	–	15
	Low Density AN <sup>(1)</sup>	125	–	–	–	125
	AN Solutions	–	70	–	–	70

(1) Actual sales subject to market conditions and total AN production limited by AN solution production capacity

(2) Ammonia capacity available for sale dependent on tons sold of other upgraded products

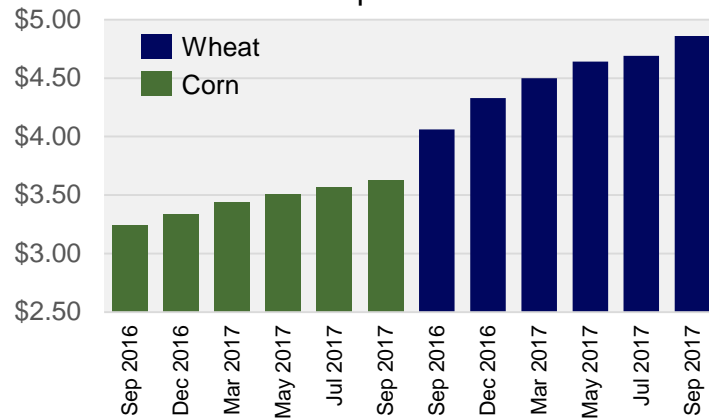


# Market Outlook

## Agricultural

- ↑ Planted corn acreage ~93.6 million in 2016 (vs. 88 million in 2015)
- ↑ US growers expected to increase both corn and wheat production in 2016/17
- ↑ Natural gas feedstock costs expected to remain low
- ↔ Corn prices projected to increase slightly at ~\$3.65/bushel range over next 12 months
- ↓ Overall fertilizer pricing expected to remain at current levels in the near term
- ↓ Corn production increased over prior years, stocks ended at high levels
- ↓ Long term trends of lower overall commodity prices
- ↓ Nitrogen capacity expansion in North America

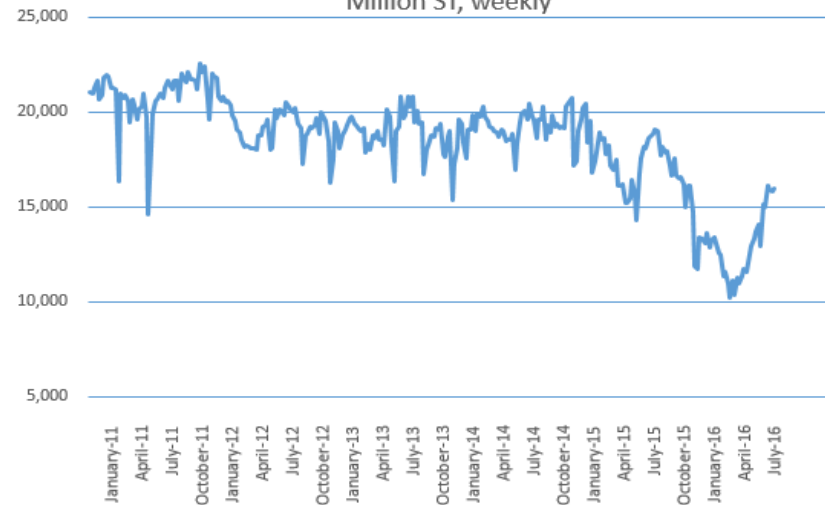
Forward Crop Prices / Bushel



## Industrial and Mining

- ↑ **Industrial market** – Trending slightly up in 2016, due to a strong US dollar and global softness in commodities pricing. The auto and housing markets continue to look good for the year.
- ↓ **Mining market – Coal Update:**  
EIA estimates the electric power sector will decrease consumption by 9% in 2016, which accounts for more than 90% of total U.S. coal consumption.  
EIA estimates that U.S. coal production for June 2016 decreased 14% YoY. Forecasted production is expected to decrease by 19% in 2016 from 2015 levels.

US Coal Production (last 5 years)  
Million ST, weekly



# Agricultural Chemicals – Attractive Medium to Long-Term Industry Fundamentals



## World situation

- Growing populations
- Developing economies
- Changing dietary habits (from grain to meat)
- Rebalancing global ammonia trade routes

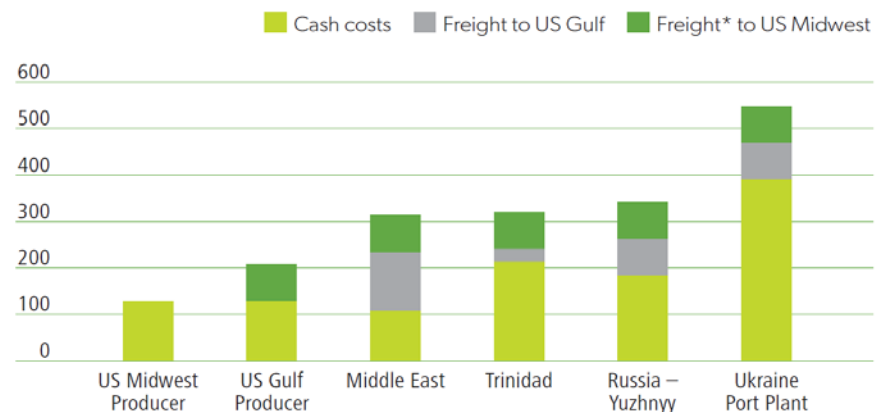
## North American situation

- World grain usage continues to increase annually
- Despite lower grain prices, the USDA is projecting a 6% increase in corn acres planted in 2016 versus 2015 due to increased ethanol usage
- U.S. grain stocks are at high levels leading to lower current corn prices
- Current corn exports are at high levels offsetting the increase in planted acres and yield

## North America is low cost producer of nitrogen fertilizers

- Natural gas is the primary feedstock for ammonia and all nitrogen fertilizers
- Due to large shale gas reserves, U.S. has relatively low natural gas prices vs. most places worldwide
- Projected Henry Hub natural gas is expected to average around \$3.00/mmbtu for the remainder of 2016 and 2017

## U.S. Midwest delivered ammonia cost estimated \$160/metric ton advantage over imports

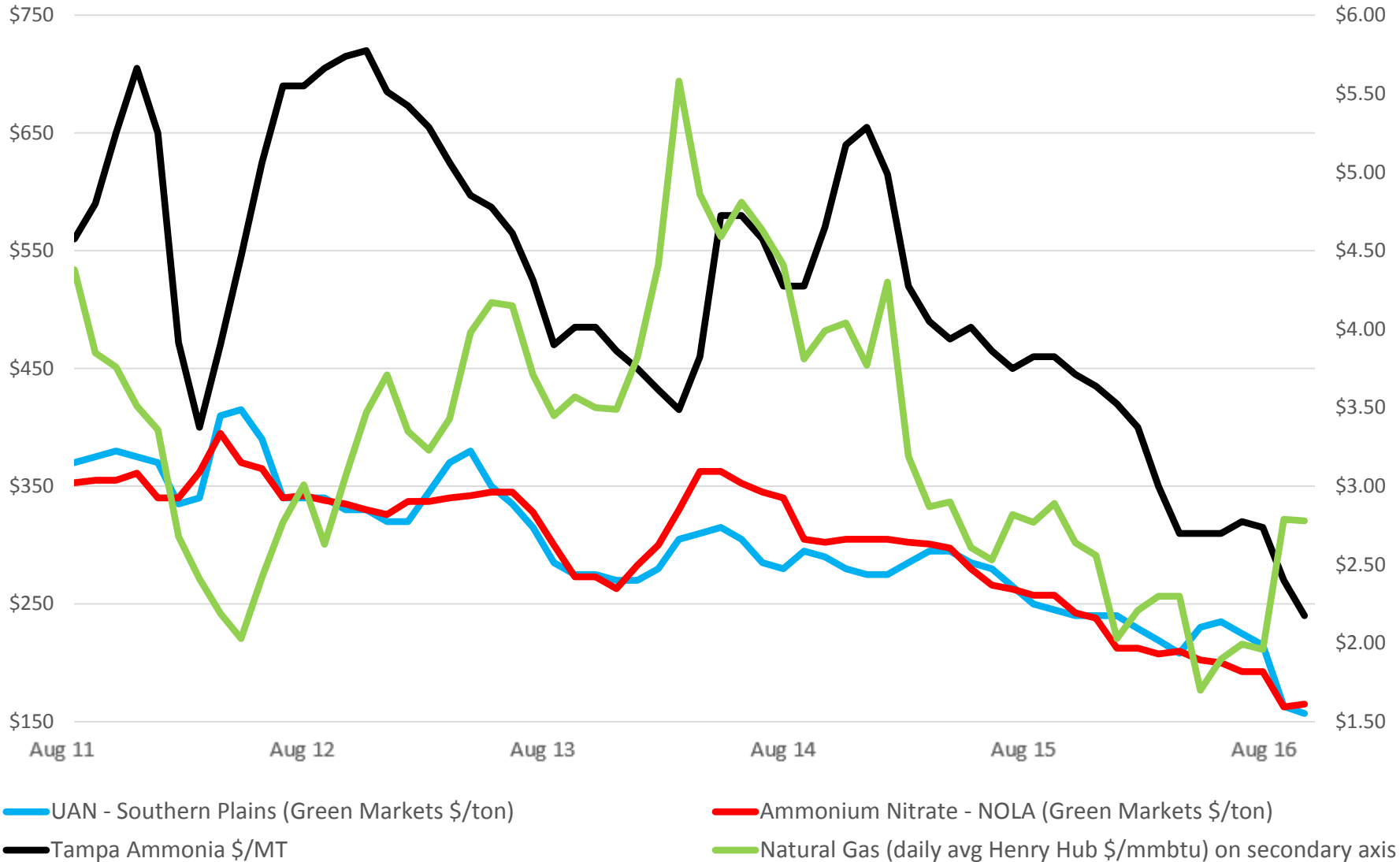


\* Includes related handling costs

Source: Fertecon, PotashCorp

# Chemical Commodities

## Feedstock & End Products 5-year Price Trends



# LSB's Operational Improvement Plan

LSB is implementing an operating and capital improvement plan that is expected to drive shareholder returns

# Executing on Operational Improvement Plan to Drive Growth and Enhance Shareholder Value



## Comprehensive upgrade of Chemical facilities

- Continue improvement of plant on-stream rates
- Reduce risks of unplanned downtime
- Improve safety and plant reliability

## Pryor facility reliability improvements

- Additional engineering support
- Extensive monitoring and control equipment
- Remanufacture or replacement of certain key pieces of equipment
- Enhanced and more comprehensive planning of Turnarounds

## Chemical product optimization focus

- Realign our product balance
- Focus on strategic relationships
- Further development of AN Markets

## Cost review & reduction

- Logistics
- Repairs and maintenance
- Realignment of corporate structure

# Financial Overview

# Summary Statement of Income for Continuing Operations

(\$ in millions)



LSB Industries, Inc. Consolidated	Twelve months ended 12-31			Six months ended 6-30	
	2013	2014	2015	2015	2016
Sales	\$416.2	\$495.9	\$437.7	\$259.1	\$209.0
Gross Profit	46.8	65.5	20.0	33.4	(4.0) <sup>(1)</sup>
Gross Profit %	11.2%	13.2%	4.6%	12.9%	(1.9)%
SG&A Expense	35.9	38.8	49.6	25.7	21.8
Operating Income	73.7	30.6	(71.2)	8.2	(26.2)
EBITDA	\$98.4	\$62.4	\$9.4	\$25.7	\$1.5
Adjusted EBITDA <sup>(2)</sup>	\$3.8	\$34.4	\$13.1	\$26.3	\$19.4

(1) Includes a \$12.1 million one-time consulting fee related to El Dorado property taxes and \$5.1 million in start-up/commissioning costs at El Dorado

(2) See slide 20 for reconciliation and detail of adjustments included in Adjusted EBITDA

# Capital Structure/ Actual and Pro-forma for Climate Control Business Sale



(\$ in millions)

	June 30, 2016	Pro-forma Adjustments	Pro-forma June 30, 2016
Cash and Cash Equivalents	<b>\$22.8</b>	<b>\$128.0</b>	<b>\$150.8</b>
Senior Secured Notes	475.0	(100.0)	375.0
ABL Credit facility	30.9	(30.9)	-
Other Debt	61.3	-	61.3
Unamortized discount and debt issuance costs	(7.6)	-	(7.6)
<b>Total long-term debt, including current portion, net</b>	<b>\$559.6</b>	<b>\$(130.9)</b>	<b>\$428.7</b>
Series E and F redeemable preferred stock (\$227.3 million liquidation preference including accrued dividends, pro-forma \$147.3 million)	<b>\$196.7</b>	<b>\$(80.0)</b>	<b>\$116.7</b>
<b>Total stockholders' equity</b>	<b>\$405.1</b>	<b>\$(25.0)</b>	<b>\$380.1</b>

## Overview of Outstanding Debt

### Senior Secured Notes

- \$375 million at 8.5%
- Due August 2019

### ABL Facility

- \$100 million (Prime + 50 bps)
- \$38.0 million availability
- Expires April 2018

Ratings	Moody's	S&P
Corporate	B1	B-
First Lien	B1	B-
Outlook	Negative	Stable

Pro-forma adjustments related to unamortized discount and debt issuance costs are excluded in the presentation above



# Proceeds from Sale of Climate Control Business- Closed July 1, 2016



(\$ in millions)

Gross Sale proceeds	\$364
Escrow, fees and other estimated closing costs	(13)
<b>Net cash proceeds, upon closing</b>	<b>\$351</b>
Repayment of outstanding balance of ABL	(31)
<b>Net cash proceeds after repayment of ABL</b>	<b>\$320</b>
August Interest payment on Senior Secured Notes	(20)
Remaining cash payments on EDC Expansion	(30)
2H 2016 Capex	(30)
<b>Net cash remaining after obligations</b>	<b>\$240</b>
Call of 7¾% Senior Notes at 103.875	(52)
Call of 12% Senior Notes at 106	(53)
Redemption of 14% Preferred Stock at par	(80)
Consent and Transaction Fees	(7)
<b>Net Cash</b>	<b>\$48</b>

# EBITDA Sensitivity



	Change	FY EBITDA Impact
Tampa Ammonia (MT)**	+/- \$ 10	+/- \$ 1.6mm
UAN (ST)	+/- \$ 10	+/- \$ 4.5mm
HDAN (ST)	+/- \$ 10	+/- \$ 1.5mm
Natural Gas (\$/mmbtu)	+/- \$ 0.10	+/- \$ 1.6mm

\*\* Represents portion of Ammonia sales sold out of EDC

Sensitivity calculated on 2H16 sales volumes annualized to represent a full year inclusive of expansion at EDC

# Appendix

# EBITDA Reconciliation for Continuing Operations

(\$ in millions)

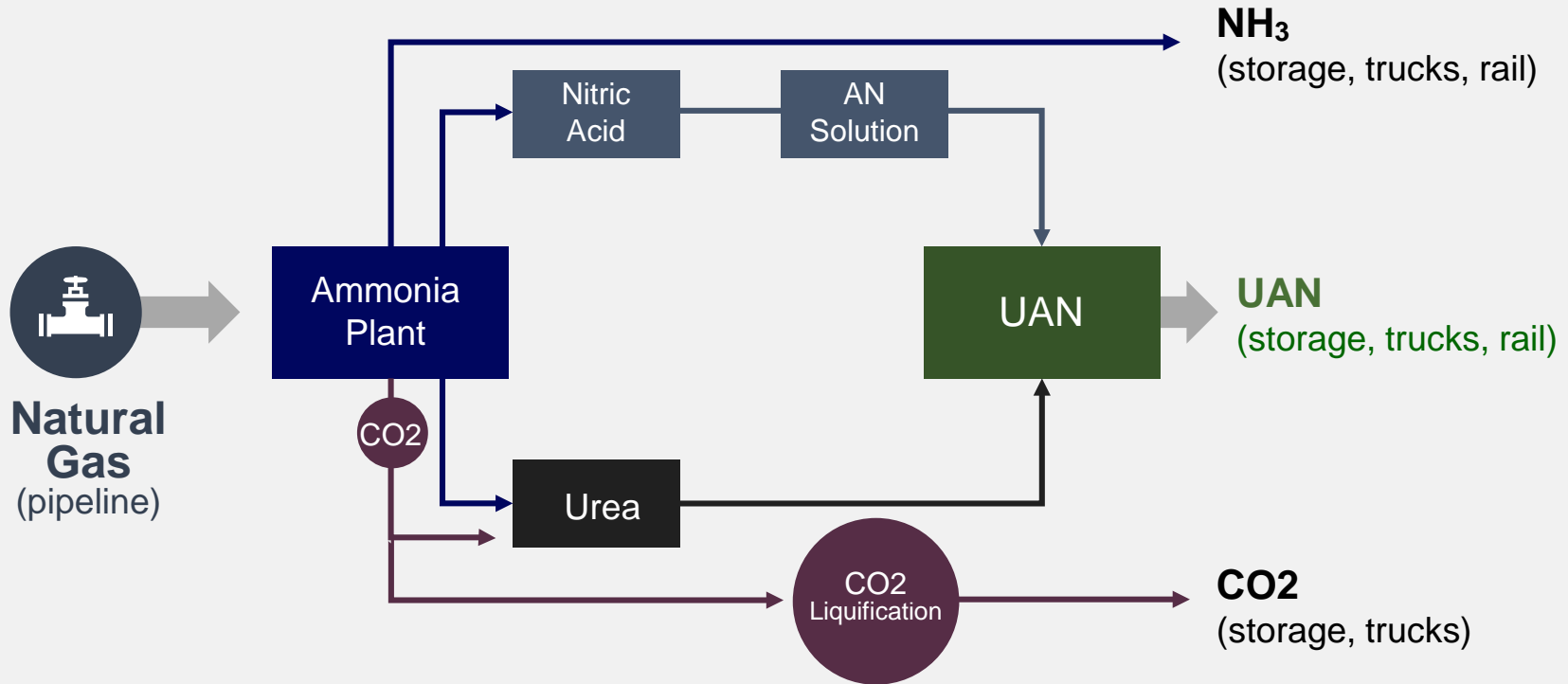


LSB Industries, Inc. Consolidated	Twelve months ended 12-31			Six months ended 6-30	
	2013	2014	2015	2015	2016
Net income (loss) plus:	\$55.0	\$ 19.6	\$(34.8)	\$7.1	\$0.2
Provision for Impairment	–	–	43.2	–	–
Interest expense	13.3	21.6	7.4	5.6	7.8
Depreciation and amortization	25.6	31.5	37.5	17.4	25.6
Provision (benefit) for income taxes	24.0	4.3	(32.5)	1.3	(8.5)
Income (gain) from discontinued operations (including taxes)	(19.4)	(14.5)	(11.4)	(5.7)	(23.6)
<b>EBITDA<sup>(1)</sup> plus:</b>	<b>\$98.4</b>	<b>\$62.4</b>	<b>\$9.4</b>	<b>\$25.7</b>	<b>\$1.5</b>
Consulting Fee- Negotiated property tax savings at El Dorado	–	–	–	–	12.1
Stock based compensation	–	–	1.7	0.6	1.9
Start-up/ Commissioning costs at El Dorado	–	–	–	–	5.1
Fair market value adjustment on preferred stock embedded derivatives	–	–	–	–	(1.4)
Insurance recoveries related to Chemical Business	(94.6)	(28.0)	–	–	–
Severance costs	–	–	2.0	–	–
Other	–	–	–	–	0.2
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>\$3.8</b>	<b>\$34.4</b>	<b>\$13.1</b>	<b>\$26.3</b>	<b>\$19.4</b>

(1) EBITDA is defined as net income plus provision for impairment, interest expense, depreciation, depletion and amortization of property plant and equipment (which includes amortization of other assets and excludes interest included in amortization), plus provision 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 table above provides a reconciliation of net income to EBITDA for the periods indicated.

(2) Adjusted EBITDA is reported to show the impact of a one-time consulting fee, start-up/commissioning costs, certain fair market value adjustments, non-cash stock based compensation, non-cash loss on disposal of property, plant, and equipment, Delaware unclaimed property liability, life insurance recovery, insurance recoveries related to our Chemical Business, and severance costs. We believe that the inclusion of supplementary adjustments to EBITDA are appropriate to provide additional information to investors about certain items. The table above provides reconciliations of EBITDA excluding the impact of the supplementary adjustments.

# Typical Facility Process Flow (Pryor)



- Products are marketable at every intermediate and final stage of production.
- Pryor facility process flow is typical of plants with natural gas feedstock.
- Pryor, El Dorado and Cherokee use natural gas feedstock. Baytown uses ammonia feedstock.