



# Investor Presentation

May 2016

# Safe Harbor Statement

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The information contained in the presentation materials contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All of these statements, other than statements of historical fact, are forward-looking statements.

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 expectation that the announced sale of the climate control group closes in a timely fashion; our belief that we have accurately revised the cost projections and timing of completion for the El Dorado project; our expectation of increased reliability and production consistency at our facilities, including our Cherokee and Pryor facilities; our projections of trends in the fertilizer market; our outlook for commercial and residential construction; our expectation of continued success of our operational excellence initiatives; our belief in stronger profitability and expectation of cash flow generation; opportunities to improve our overall capitalization and liquidity; and our planned capital additions for 2016.

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. We incorporate the risks and uncertainties discussed under the headings “Risk Factors” and “A Special Note Regarding Forward-looking Statements” in our Form 10-K for the fiscal 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 discussed in this conference call presentation. We undertake no duty to update the information contained in this presentation and discussed on the conference call. All forward looking statements included in this presentation are expressly qualified in their entirety by such cautionary statements. We expressly disclaim any obligation to update, amend or clarify any forward-looking statement to reflect events, new information or circumstances occurring after the date of this presentation except as required by applicable law.

Please see the EBITDA Reconciliations and Other Non-GAAP Reconciliations slides 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 chemical expansion completed
- 3 Implemented operating improvement plans that are enhancing Chemical plant reliability/ performance
- 4 Execute close of Climate Control Sale transaction
- 5 Refinance our capital structure to improve liquidity and reduce our overall cost of capital

# Sale of Climate Control Business

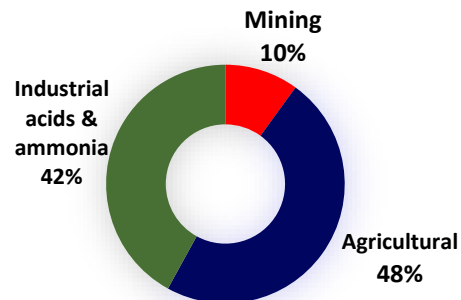
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- Entered a definitive agreement to sell the Climate Control business to NIBE Industrier AB of Sweden on May 12, 2016
- The CCB business generated approximately \$274 million in revenue and \$25 million in EBITDA in 2015
- Cash consideration of \$364 million (14.6x EBITDA)
- Expect to close the transaction in the third quarter of 2016, subject to regulatory approvals and other customary closing conditions
- Use of net proceeds to repay outstanding debt

# Business Overview

- Chemical business operates 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



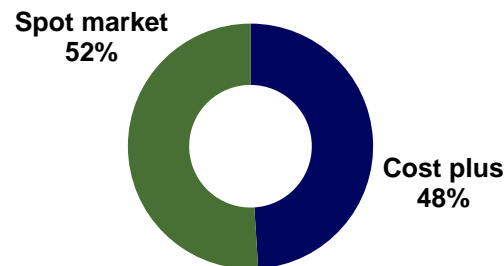
A key strategy is to optimize sales mix: industrial vs. agricultural

LTM 3/31/16 sales: **\$393 million**

## Select customers



## Cost-plus agreements versus spot market sales (LTM 3/31/16)






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

# Chemical Business



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>42%</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>10%</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>

# Chemical Business – 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**



# Chemical Facilities



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 (beginning Q2, 2016)	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 (post El Dorado expansion)



(Tons in thousands)

Facility:		El Dorado	Cherokee	Pryor	Baytown	Total
Feedstock		Natural gas (beginning Q2 2016)	Natural gas	Natural gas	Ammonia	
Ammonia Production Capacity		375	175	215	–	765
Products Available for Sale						
Agricultural Products	UAN	–	215	270	–	485
	High Density AN <sup>(1)</sup>	280	–	–	–	280
	Ammonia <sup>(2)</sup>	120	30	110	–	260
Industrial & Mining Products	Nitric Acid	105	30	–	410	545
	DEF	–	15	–	–	15
	Low Density AN <sup>(1)</sup>	195	–	–	–	195
	AN Solutions	–	80	–	–	80

(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

# Agricultural Chemicals – Attractive Industry Fundamentals



## World situation

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

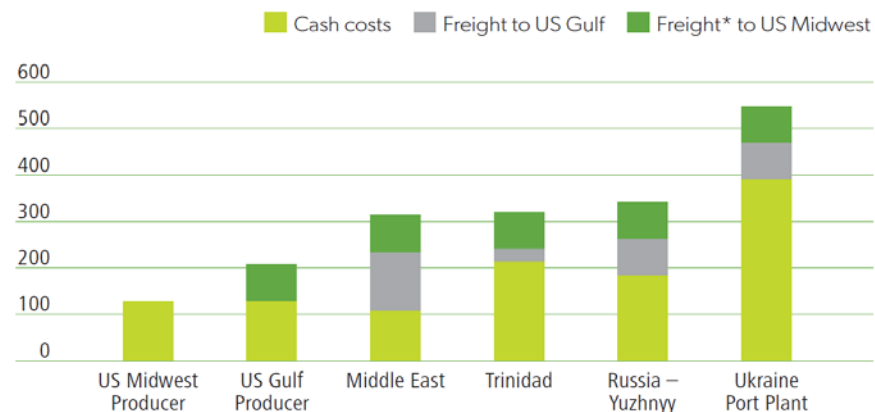
## North American situation

- 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 leading to an increase in futures commodity pricing

## 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 below \$2.50/MMBtu for 2016 increasing to slightly under \$3.00/MMBtu for 2017

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



\* Includes related handling costs

Source: Fertecon, PotashCorp

# 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

# Segment Summary Statement of Income

## Chemical Business

(\$ in millions)	Twelve months ended 12-31					Three months ended 3-31	
	2011	2012	2013	2014	2015	2015	2016
Sales	\$511.9	\$477.8	\$380.7	\$454.9	\$428.1	\$131.8	\$97.0
Gross Profit	130.7	97.7	46.2	66.6	16.6	20.2	(7.0)
Gross Profit %	25.5%	20.4%	12.1%	14.6%	3.9%	15.3%	(7.2)%
Operating Income	116.5	82.1	87.8	51.3	(41.8)	16.7	(10.2)
Segment EBITDA	\$131.2	\$98.5	\$111.4	\$82.2	\$37.8	\$24.5	\$0.5
Adjusted EBITDA <sup>(1)</sup>	\$122.6	\$91.2	\$16.8	\$54.2	\$37.8	\$24.5	\$13.9

## Climate Control Business

(\$ in millions)	Twelve months ended 12-31					Three months ended 3-31	
	2011	2012	2013	2014	2015	2015	2016
Sales	\$281.6	\$266.2	\$285.0	\$265.4	\$274.1	\$65.2	\$66.6
Gross Profit	88.2	81.0	92.9	82.4	83.7	20.0	21.2
Gross Profit %	31.3%	30.4%	32.6%	31.0%	30.5%	30.6%	31.8%
Operating Income	32.8	25.8	30.4	21.7	19.9	4.3	5.5
Segment EBITDA	\$35.5	\$29.0	\$33.6	\$26.5	\$24.7	\$5.5	\$6.7

(1) Adjusted EBITDA excludes insurance recoveries of the following amounts: \$8.6 million in 2011, \$7.3 million in 2012, \$94.6 million in 2013, and \$28.0 million in 2014. The first quarter of 2016 excludes El Dorado start-up/commissioning costs of \$1.3 million and a one-time cost of \$12.1 million relating to consulting services associated with the reduction of assessed property tax values for the El Dorado projects' real and personal property for both the nitric acid plant, nitric acid concentrator plant and the ammonia plant. See reconciliation on Slide 22 for details of all adjustments.

# Planned Capital Structure



Use of Proceeds from sale of Climate Control Business:	Expected Range
Gross Sale proceeds – Climate Control Business	\$364
Escrow, fees and other estimated closing costs	14 -19
<b>Net cash proceeds, upon closing</b>	<b>\$350 - \$345</b>
Cash retained in the business	\$40 - \$60
<b>Payments of senior secured notes / preferred equity</b>	<b>\$310 - \$285</b>

Capital Structure – Actual March 31, 2016		Pro forma - March 31, 2016
Cash and Cash Equivalents	<b>\$39.5</b>	<b>\$80 - \$100<sup>1</sup></b>
Senior Secured Notes	475.0	165 - 190
Other Debt	61.7	61.7
Unamortized discount and debt issuance costs	(8.2)	(8.2)
<b>Total long-term debt, including current portion, net</b>	<b>\$528.5</b>	<b>\$219 - \$244</b>
Series E and F redeemable preferred stock (\$219.6 million liquidation preference including accrued dividends)	<b>\$186.9</b>	<b>\$186.9</b>
<b>Total stockholders' equity</b>	<b>\$398.1</b>	<b>\$398.1<sup>2</sup></b>

(1) Pro forma excludes any cash impact related to payment of revolver balances, if needed

(2) Excludes impact of fees and expenses, non cash gain/loss on disposal of Climate Control Business and write off of unamortized debt issuance costs, etc.

# Remaining 2016 Planned Capital Spending



Total Projects (\$ in millions)	Planned Capital Additions
<b>Chemical Business:</b>	
El Dorado Facility Expansion Projects	\$ 29 – \$ 59
Other <sup>(1)</sup>	36 – 44
<b>Total Chemical</b>	<b>\$ 65 – \$ 103</b>
<b>Corporate and Other</b>	<b>3 – 5</b>
<b>Total Projects</b>	<b>\$ 68 – \$ 108</b>

El Dorado Expansion Projects	Expenditures to Date	Remainder to Completion	Project Total
Ammonia Plant	\$496	\$14	\$ 510
Nitric Acid Plant and Concentrator	124	–	124
Other Support Infrastructure	124	11	135
Capitalized Interest	52	4	56
Contingency	–	0 – 30	0 – 30
<b>Total El Dorado Projects planned spending as of March 31, 2016</b>	<b>\$796</b>	<b>\$ 29 – \$ 59</b>	<b>\$ 825 – \$ 855</b>

(1) Includes cost associated with renewal and improvement projects, environmental projects and the development of natural gas leaseholds



# Liquidity Position at March 31, 2016 *(\$ in millions)*



<b>Uses of Funds:</b>	Expected Range
Completion of El Dorado Expansion Project	\$ 29 – \$ 59
Other Capex	39 – 49
<b>Total Capital Expenditures</b>	<b>\$ 68 – \$ 108</b>
Interest on Senior Secured Notes	29
Other Principal and Interest Payments	5
<b>Total Uses of Funds</b>	<b>\$ 102 – \$ 142</b>

<b>Sources of Funds:</b>	
Cash on Hand at 3/31/16	\$ 40
Additional Cogen Facility Financing	10
Remaining ammonia storage tank funding	5
2016 operating cash flow and the use of the ABL credit facility, if needed	47 – 87
<b>Total Sources of Funds</b>	<b>\$ 102 – \$ 142</b>

*Note: Assumes no dividend payments as they will be accrued in 2016*

# Chemical EBITDA

## 2017 Sensitivity Analysis *(\$ in millions)*



		Natural Gas Price per mmbtu				
		\$ 2.00	\$ 2.50	\$ 3.00	\$ 3.50	\$ 4.00
Ammonia price (per mt)	\$ 500	\$ 267	\$ 257	\$ 247	\$ 236	\$ 226
	\$ 450	\$ 239	\$ 229	\$ 219	\$ 209	\$ 198
	\$ 400	\$ 212	\$ 201	\$ 191	\$ 181	\$ 171
	\$ 350	\$ 185	\$ 174	\$ 163	\$ 153	\$ 143
	\$ 300	\$ 158	\$ 147	\$ 136	\$ 126	\$ 115

### Key factors in model above:

- Average ammonia plants' on-stream rate above 95% (excluding turnarounds)
- Assumes sales from the Mining sector are replaced with sales from the Agricultural sector
- El Dorado ammonia plant and nitric acid plant are producing for the entire year
- Assumes that a \$50 per ton change in ammonia price is equivalent to a \$21 per ton change in UAN price and a \$23 per ton change in AN price

# Appendix

# EBITDA Reconciliations

**Reconciliation of Consolidated Net Income (Loss) and Segment Operating Income (Loss) to Non-GAAP measurement EBITDA.** Operating income (loss) by business segment represents gross profit (loss) 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. The term EBITDA, as used in this presentation, is defined as net income (loss) plus interest expense, depreciation, depletion and amortization of property, plant and equipment (which includes amortization of other assets and excludes interest included in amortization), provision (benefit) for income taxes, provision for impairment, loss from discontinued operations, non-operating income, and equity in earnings of affiliates. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to GAAP measurement. The following table provides a reconciliation of net income (loss) to EBITDA for the periods indicated.

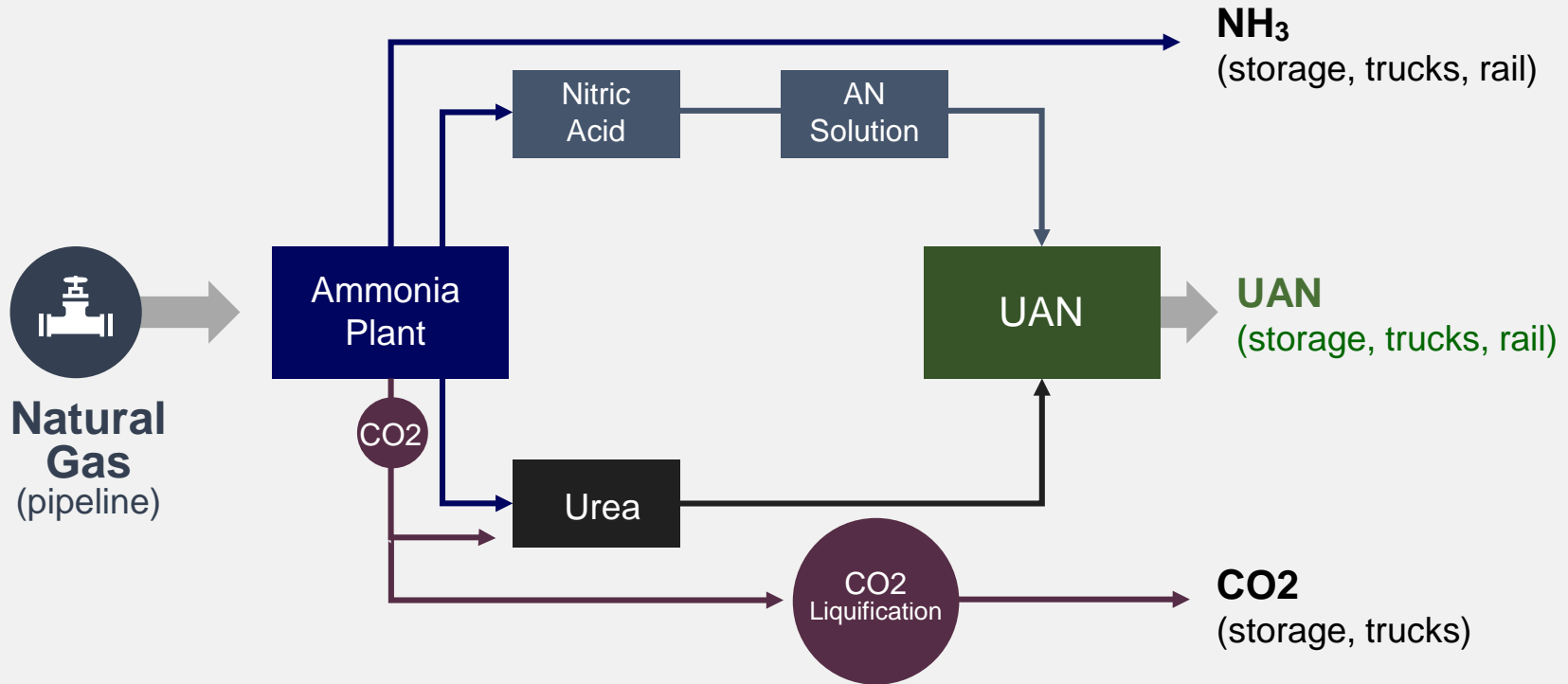
(\$ in millions)	Twelve months ended 12-31					Three months ended 3-31	
	2011	2012	2013	2014	2015	2015	2016
<b>LSB Industries, Inc. Consolidated</b>							
Net income (loss)	\$ 83.8	\$ 58.6	\$ 55.0	\$ 19.6	\$(34.8)	\$ 6.6	\$(14.9)
Plus:							
Provision for Impairment	–	–	–	–	43.2	–	–
Interest expense	6.7	4.2	14.0	21.6	7.4	3.4	1.3
Depreciation and amortization	18.8	20.7	28.4	36.1	42.2	9.4	12.2
Provisions for income taxes	46.2	33.6	35.3	12.4	(23.6)	4.2	(0.6)
Loss from discontinued Ops	0.2	0.2	0.2	0.1	0.1	–	–
<b>EBITDA</b>	<b>\$ 155.7</b>	<b>\$ 117.3</b>	<b>\$ 132.9</b>	<b>\$ 89.8</b>	<b>\$ 34.5</b>	<b>\$ 23.6</b>	<b>\$ (2.0)</b>
<b>Chemical Business</b>							
Operating income (loss)	\$ 116.5	\$ 82.1	\$ 87.8	\$ 51.3	\$(41.8)	\$ 16.7	\$(10.2)
Plus:							
Provision for Impairment	–	–	–	–	43.2	–	–
Non-operating income	–	–	–	0.3	0.4	–	–
Depreciation and amortization	14.7	16.4	23.6	30.6	36.1	7.8	10.7
<b>EBITDA</b>	<b>\$ 131.2</b>	<b>\$ 98.5</b>	<b>\$ 111.4</b>	<b>\$ 82.2</b>	<b>\$ 37.8</b>	<b>\$ 24.5</b>	<b>\$ 0.5</b>
<b>Climate Control Business</b>							
Operating income	\$ 32.8	\$ 25.8	\$ 30.4	\$ 21.7	\$ 19.9	\$ 4.3	\$ 5.5
Plus:							
Equity in earnings of affiliate	0.5	0.7	0.4	0.1	–	–	–
Depreciation and amortization	2.2	2.5	2.8	4.7	4.8	1.2	1.2
<b>EBITDA</b>	<b>\$ 35.5</b>	<b>\$ 29.0</b>	<b>\$ 33.6</b>	<b>\$ 26.5</b>	<b>\$ 24.7</b>	<b>\$ 5.5</b>	<b>\$ 6.7</b>

# Other Non-GAAP Reconciliations

**Reconciliation of Chemical EBITDA.** We believe that the inclusion of supplementary adjustments to EBITDA are appropriate to provide additional information to investors about certain unusual items that are not expected to reoccur in the future. The following tables provide reconciliations of EBITDA excluding the impact of the supplementary adjustments noted below.

(\$ in millions)	Twelve Months Ended 12-31					Three Months Ended 3-31	
	2011	2012	2013	2014	2015	2015	2016
<b>Chemical Business</b>							
EBITDA	\$ 131.2	\$ 98.5	\$ 111.4	\$ 82.2	\$ 37.8	\$ 24.5	\$ 0.5
Less:							
Start-Up/ Commissioning costs at El Dorado	–	–	–	–	–	–	1.3
Consulting fees related to negotiated tax-savings at El Dorado	–	–	–	–	–	–	12.1
Insurance recoveries	8.6	7.3	94.6	28.0	–	–	–
<b>Adjusted EBITDA</b>	<b>\$ 122.6</b>	<b>\$ 91.2</b>	<b>\$ 16.8</b>	<b>\$ 54.2</b>	<b>\$ 37.8</b>	<b>\$ 24.5</b>	<b>\$ 13.9</b>

# 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.