LSB INDUSTRIES

Third Quarter 2018 Update

October 25, 2018

Agenda

Overview

- Dan Greenwell, President and Chief Executive Officer

Operations Review

- John Diesch, Executive Vice President, Chemical Manufacturing

Financial Review

- Mark Behrman, Executive Vice President and Chief Financial Officer

Q&A

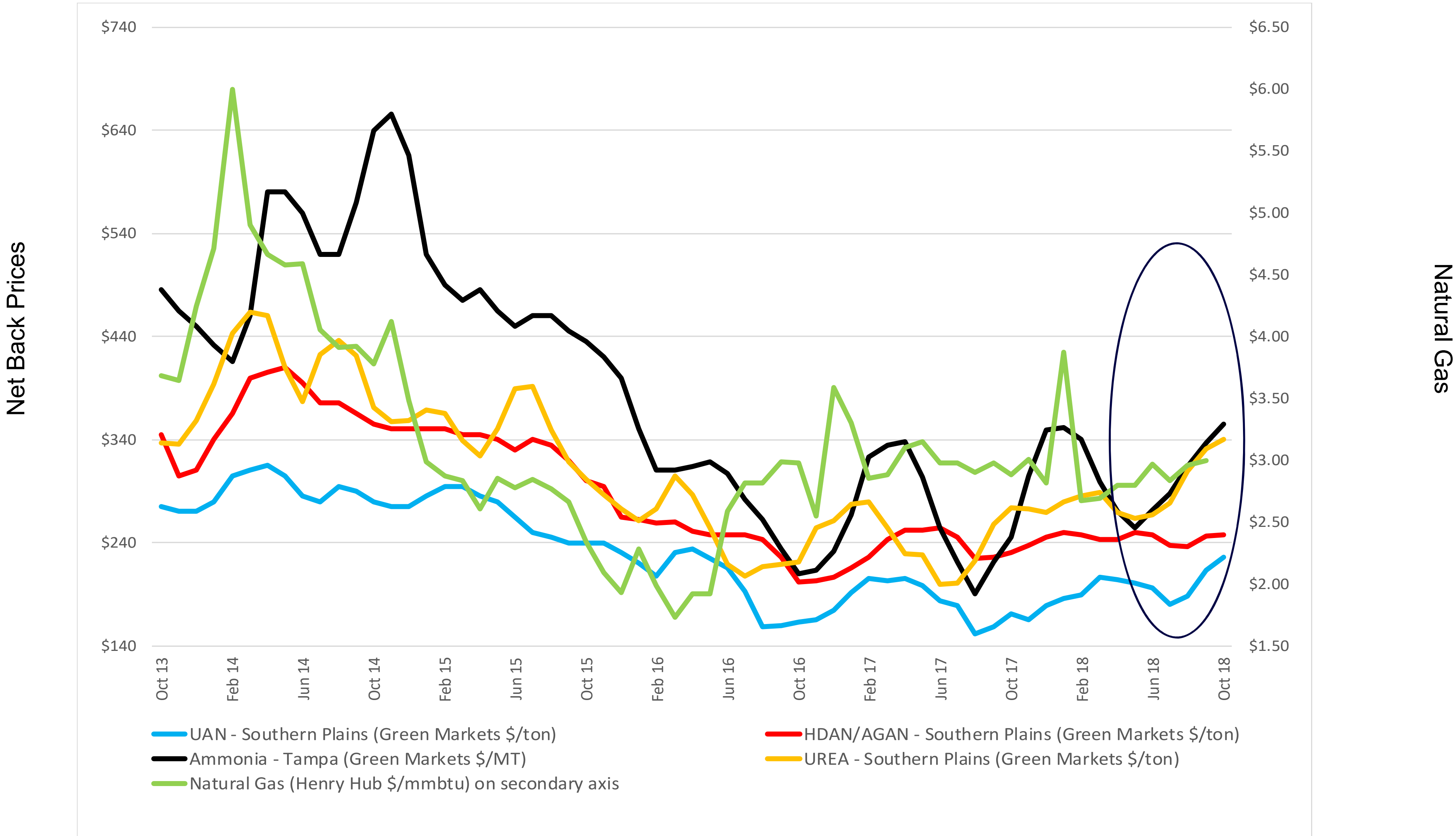
Forward-Looking Statements

- 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 expenditures for 2018; 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 any forward-looking statement to reflect events, new information or circumstances occurring after the date of this press release except as required by applicable law.

Third Quarter 2018 Highlights

- Ammonia on-stream rates at Pryor, Cherokee, and El Dorado facilities were 98%, 97%, and 89%, respectively
- 50% increase in HDAN volumes versus Q3 2017
- Successful completion of a 35 day Turnaround at our Cherokee facility; the next Cherokee Turnaround is planned for 2021
- Net pricing per ton for agricultural ammonia, UAN, and HDAN improved 42%, 26%, and 15% respectively from Q3 2017
  - Based on fourth quarter presales of UAN and ammonia, we expect a continued trend towards stronger pricing relative to 2017 for the balance of this year
- Continued trend of lower gas cost with an average natural gas cost/MMBtu approximately 9% lower than Q3 2017
- Technological enhancements to maintenance management system largely completed
- During Q3, we engaged outside consultants to do a thorough review of our operating procedures and processes

Chemical Commodities
Feedstock & End Products 5-year Price Trend



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Market Outlook

Agricultural

- Steepening cost curve outside the US leading to higher product cost and resulting higher selling prices resulting in less imports into the US market
- Net UAN and ammonia imports down 596,000 and 1,563,000 tons, respectively, versus one year ago
- US sanctions on Iran removes Urea supply from global market leading to higher Urea pricing as well as other fertilizer products
- Based on fourth quarter presales of UAN and ammonia, we expect a continued trend towards stronger pricing relative to 2017 for the balance of this year
- Trade fears coupled with a forecasted record harvest are suppressing corn prices; corn prices are expected to average ~ $3.95/bushel over next 12 months
- China's mandate of 10% ethanol by 2020 creates potential to drive demand for US exports of corn and/or ethanol

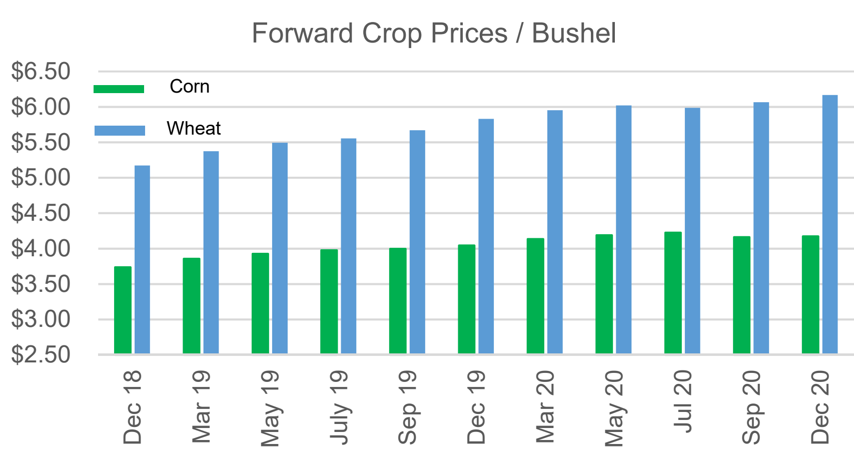
Industrial and Mining

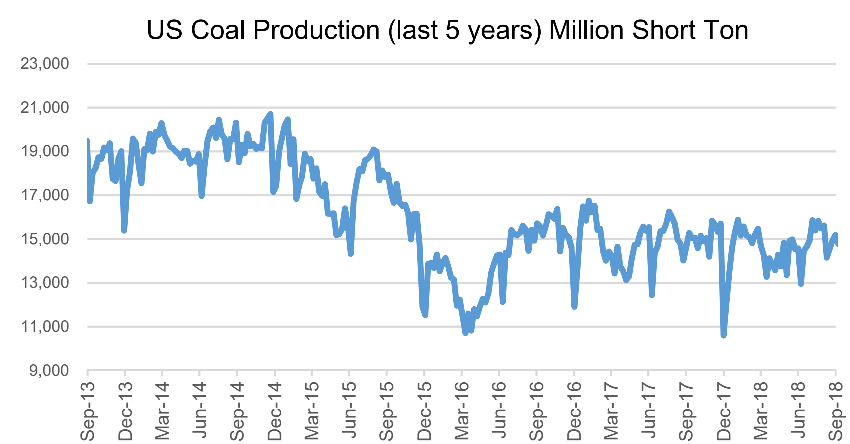
Industrial market:

- According to the American Chemistry Council, the U.S. economic indicators continue to be mostly positive for the housing, automotive, and paper sectors, domestically
- Light vehicle sales are expected to remain at elevated levels over the next several years
- Housing starts are set to improve to 1.32 million in 2018 and 1.38 million in 2019

Mining market:

- Copper prices are expected to rise over the next 5-10 years due primarily to high demand from Asian countries
- because of its safety advantage over other products such as dynamite.
- Coal mining is the largest consuming sector for industrial explosives. Coal production is expected to decline 2% in 2019
- Metal mining accounts for 33% of the market for industrial explosives which is projected to increase 3.1% in 2019
- Production of stone for construction and production of cement for quarrying operations is expected to grow by 3.5% in 2019





Sources: Corn Prices – Barchart 10-12-18 close; Wheat prices – Barchart 10-12-18 close; US Coal Production – eia.gov historical data files

Operational Review

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Operational Review

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El Dorado

- Ammonia plant on-stream rate of 89% excluding Turnaround
- Proactively took ammonia plant down during the quarter to repair a pressure drop issue in the SCR NOX abatement unit
- Turnaround work successfully completed which included work to upgrade a rotor in a steam turbine in the Ammonia plant; currently operating at full rates (1,300-1,350 tpd)
- Short Turnaround (approximately two weeks) planned for 2019, then next Turnaround in 2022

Pryor

- Ammonia plant on-stream rate of 98% and currently operating at full rates (~650 tpd)
- New urea reactor being built by Stamicarbon; delivery in Q4 2018
- Engineering for electrical/upgrades is under way
- Planning has begun for the Q3 2019 Turnaround where we anticipate moving to a two year Turnaround cycle

Cherokee

- Ammonia on-stream rate of 97% excluding Turnaround
- Successfully completed 35 day Turnaround in Q3
- Ammonia plant currently operating at full rates (~500 tpd)

Baytown

- Currently in a 35 day Turnaround with expectations to be complete at the end of October

Upgrade to maintenance management system largely complete. In Q3 2018, engaged external consultants to assist in evaluating our operating procedures and processes.

Financial Review

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LSB Consolidated Financial Highlights

Third Quarter 2018

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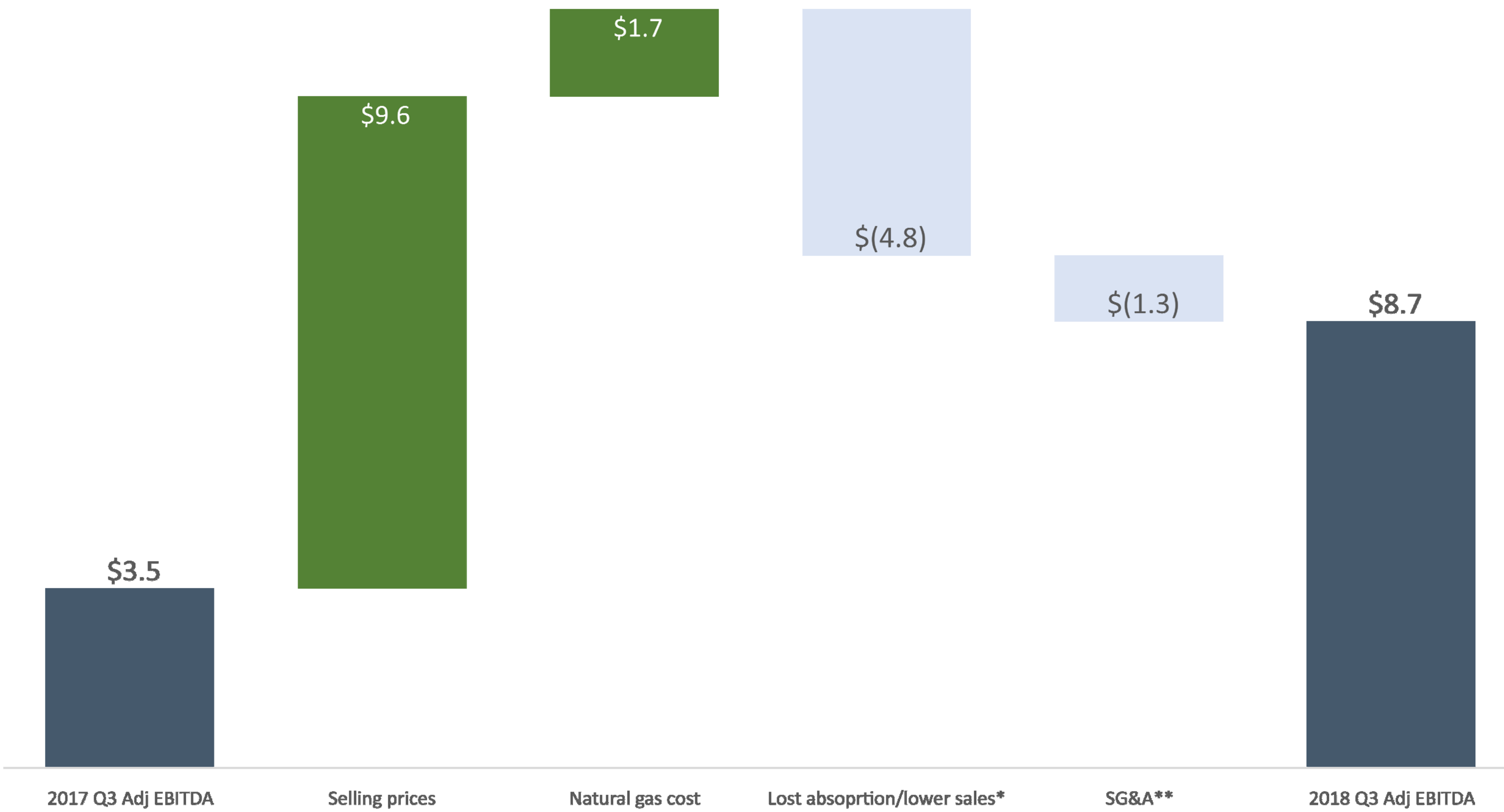
($ In Millions, Except EPS)	Three Months Ended September 30, 2018	2017	Change	Nine Months Ended September 30, 2018	2017	Change
Net sales	$ 79.8	$ 92.4	$ (12.6)	$ 283.4	$ 338.6	$ (55.2)
Adjusted net sales [1]	$ 79.8	$ 74.1	$ 5.7	$ 283.4	$ 281.3	$ 2.1
Gross profit (loss)	$ (9.7)	$ (7.3)	$ (2.4)	$ 3.4	$ 15.7	$ (12.3)
% of adjusted net sales	-12.2%	-9.9%	-2.3%	1.2%	5.6%	-4.4%
Selling, general and administrative expense	$ 9.1	$ 8.0	$ 1.1	$ 25.8	$ 26.7	$ (0.9)
% of adjusted net sales	11.4%	10.8%	0.6%	9.1%	9.5%	-0.4%
Operating income (loss)	$ (16.6)	$ (15.4)	$ (1.2)	$ (20.5)	$ (13.3)	$ (7.2)
% of adjusted net sales	-20.8%	-20.8%	0.0%	-7.2%	-4.7%	-2.5%
Interest expense, net	11.0	9.3	1.7	32.0	28.0	4.0
Loss on extinguishment of debt	-	-	-	6.0	-	6.0
Non-operating other expense (income), net	0.9	(0.9)	1.8	(0.3)	(0.4)	0.1
Loss before benefit for income taxes	$ (28.5)	$ (23.8)	$ (4.7)	$ (58.2)	$ (40.9)	$ (17.3)
Provision (benefit) for income taxes	(2.4)	(6.7)	4.3	1.0	(10.8)	11.8
Net loss	$ (26.1)	$ (17.1)	$ (9.0)	$ (59.2)	$ (30.1)	$ (29.1)
% of adjusted net sales	-32.7%	-23.1%	-9.6%	-20.9%	-10.7%	-10.2%
Diluted EPS	$ (1.22)	$ (0.91)	$ (0.31)	$ (2.98)	$ (1.93)	$ (1.05)
EBITDA [2]	$ (0.1)	$ 2.3	$ (2.4)	$ 35.1	$ 39.0	$ (3.9)
Adjusted EBITDA [2]	$ 0.8	$ 2.8	$ (2.0)	$ 40.0	$ 45.8	$ (5.8)
Adjusted EBITDA excluding businesses sold in 2017 [2]	$ 0.8	$ 2.4	$ (1.6)	$ 40.0	$ 43.2	$ (3.2)
Adjusted EBITDA excluding Turnaround costs [2]	$ 8.7	$ 3.5	$ 5.2	$ 49.7	$ 44.5	$ 5.2

(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 third quarter and first nine months of 2017, net sales for these products would have been reduced by approximately $15.4 million and $48.7 million, respectively. ASC 606 had no net impact on operating income. Additionally, for the three and nine month periods ending September 30, 2017, net sales includes approximately $2.9 million and $8.6 million, respectively, of revenue associated with business sold in Q2 and Q4 of 2017.

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

Third Quarter – 2018 vs. 2017

($ In Millions)



* Lost absorption and lower sales volumes primarily due to Turnaround at Cherokee and EDC in 2018

** SG&A primarily due to legal costs in 2018 Q3

Illustrative EBITDA Impact Associated with Changes in Product & Feedstock Pricing

(Based on 2018 Volumes)

	Selling Price Comparison		Change in Selling Price Impact on EBITDA		
	Q4 2017 Actual Average Selling Prices	Q4 2018 Current/Expected Average Selling Prices	Change		Annual EBITDA Impact
UAN[1]	$124 / ST	$180 / ST	$10.00	+/-	$4.2mm
HDAN[1]	$203 / ST	$215 / ST	$10.00	+/-	$2.9mm
Tampa Ammonia[1]	$300 / MT	$355 / MT	$10.00	+/-	$3.3mm
Illustrative Impact from $10/ton change				+/-	**~$10.5mm**
Natural Gas ($/MMBtu)	$3.00 / MMBtu	$2.65 / MMBtu	$0.10	+/-	$2.7mm

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.*

Capital Structure

$ In Millions	9/30/18
Cash	**$ 42.7**
Senior Secured Notes	400.0
Working Capital Revolver ($39.1 mm of availability at 9/30/18)	-
Other Debt	31.5
Unamortized Discount and Debt Issuance Costs	(15.8)
Total Long-Term Debt, Including Current Portion, net	**$ 415.7**
Series E and F Redeemable Preferred Stock ($205.0 million liquidation preference including accrued dividends)	**194.6**
Total Stockholders' Equity	**$ 360.5**
Total Liquidity (Cash plus ABL availability)	**$ 81.9**

Key Information:

Senior Secured Notes

- $400 million at 9.625%
- Due May 2023

Redeemable Preferred Stock

- $205 million @ 14%
- First put date October 2023

Working Capital Revolver

- $50 million (Prime + 50 bps)
- Expires January 2022
- No borrowings at September 30, 2018

Free Cash Flow

$ In Millions	Nine Months Ended September 30, 2018	2017	Change
Net Cash provided by Continuing Operating Activities	**$ 38.8**	**$ 19.3**	**$ 19.5**
Capital expenditures for property, plant & equipment	(27.2)	(25.2)	(2.0)
Net proceeds from sale of a business and other property and equipment	6.7	22.6	(15.9)
Free Cash Flow from Operations and Investing[1]	**$ 18.2**	**$ 16.7**	**$ 1.6**
Proceeds from 9.625% senior secured notes, net of discount and fees	390.5	-	390.5
Payments on senior secured notes	(375.0)	-	(375.0)
Debt-related costs	(13.5)	-	(13.5)
Net payments of debt, short-term financing, and other	(15.4)	(21.7)	6.3
Net cash used by financing	(13.5)	(21.7)	8.2
Net cash used by discontinued operations	0.0	(2.4)	2.4
Other[2]	4.4	0.4	4.0
Increase (Decrease) in Cash and Cash Equivalents	**$ 9.1**	**$ (7.0)**	**$ 16.1**

(1) Free Cash Flow is a non-GAAP measure. The reconciliation above reconciles free cash flow with cash provided by operating activities, which is the most directly comparable GAAP financial measure.

(2) Other primarily includes $2.7 million net proceeds from the release of escrow related to the sale of discontinued operations (NIBE escrow) as well as $1.5 million net proceeds on property insurance recoveries at El Dorado.

Areas of Focus

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Operational Focus

- Enhancing training and operating and maintenance procedures
- Improving the on-stream rates of our chemical plants
- Focusing on the continued improvement of our safety performance
- Continuing to broaden the distribution of our AN and Nitric Acid products to increase sales
- Improving the margins on sales of our products
- Lowering our production costs

Strategic Direction

- Larger platform to compete effectively
- Focus on opportunities to realize synergies/operational flexibility while gaining scale and diversity across key product groups

Appendix

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EBITDA Reconciliation

LSB Consolidated ($ In Millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net loss	**($26.1)**	**($17.1)**	**($59.2)**	**($30.1)**
Plus:				
Interest expense	11.0	9.3	32.0	28.0
Loss on extinguishment of debt	-	-	6.0	-
Depreciation, depletion and amortization	17.4	16.8	55.3	51.9
Provision (benefit) for income taxes	(2.4)	(6.7)	1.0	(10.8)
EBITDA (1)	**($0.1)**	**$2.3**	**$35.1**	**$39.0**
Stock-based compensation	1.3	1.2	4.3	4.0
Derecognition of death benefit accrual	-	-	-	(1.4)
Loss (gain) on sale of a business and other property and equipment	(2.4)	-	(1.9)	4.3
Fair market value adjustment on preferred stock embedded derivatives	1.1	(0.7)	0.1	(0.1)
Consulting costs associated with reliability and purchasing initiatives	0.8	-	2.5	-
Adjusted EBITDA (2)	**$0.8**	**$2.8**	**$40.0**	**$45.8**
EBITDA from businesses sold	-	(0.4)	-	(2.6)
Adjusted EBITDA excluding businesses sold in 2017	**$0.8**	**$2.4**	**$40.0**	**$43.2**
Turnaround costs	7.9	1.1	9.7	1.2
Adjusted EBITDA excluding Turnaround costs	**$8.7**	**$3.5**	**$49.7**	**$44.5**

(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 (gain) 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. 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 for comparative 2017 has also been adjusted to remove the impact of Turnaround maintenance costs. We believe that the inclusion of supplementary adjustments to EBITDA is appropriate to provide additional information to investors about certain items. The above table provides 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.

Net Sales Reconciliation

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales ($ in millions)				
Agricultural	$36.0	$31.2	$146.3	$151.7
Industrial	34.8	47.4	105.7	149.5
Mining	9.0	10.9	31.4	28.8
Other	-	2.9	-	8.6
Total net sales	$79.8	$92.4	$283.4	$338.6
Impact of ASC 606 – Industrial	-	(15.4)	-	(48.7)
Revenue from businesses sold in 2017	-	(2.9)	-	(8.6)
Total adjusted net sales[1]	$79.8	$74.1	$283.4	$281.3

(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 nine months 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.

Consolidated EBITDA

Sensitivity Analysis (*$ In Millions)*

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Significant Earnings Power at Optimal Operating Rates

Tampa Ammonia price per MT	Natural Gas Price per mmbtu				
	$2.50	$3.00	$3.50	$4.00	$4.50
$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.