LSB INDUSTRIES

Third Quarter 2016 Update

November 3, 2016

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, 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; reduction of SG&A expenses; successful sale of non-core assets 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. 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, 2015 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.

Third Quarter 2016 Operating and Financial Overview

Closed on the sale of the climate control business

- Sales price of $364.0 million

Enhanced capital structure

- Reduced debt by $100 million, lowering annual interest expense by approximately $7 million
- Redeemed $80 million of preferred stock and accrued dividends, reducing annual dividends by approximately $10 million

Third quarter operating results

- Sales of $80.3 million, agricultural selling prices declined by 36% compared to the prior year
- Adjusted EBITDA loss of $26.5 million driven by planned and unplanned downtime during the quarter

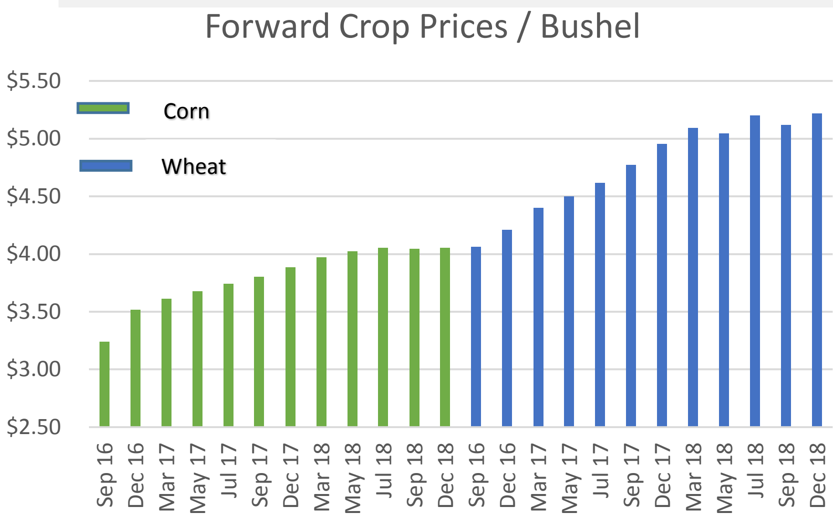
Operational updates

- Operational challenges during the quarter
- Utilized unplanned downtime to conduct additional inspections, repairs and upgrades that we expect will improve performance going forward
- Completed successful turnarounds at Cherokee and Pryor Facilities

Market Outlook

Agricultural

- Planted corn acreage ~94.5 million in 2016/2017 (vs. 88 million in 2015/2016).
- US growers expected to maintain current levels of both corn and wheat production in 2016/17.
- Natural gas feedstock costs expected to remain relatively low.
- Corn prices projected to stay below ~$4.00/bushel range over the 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.



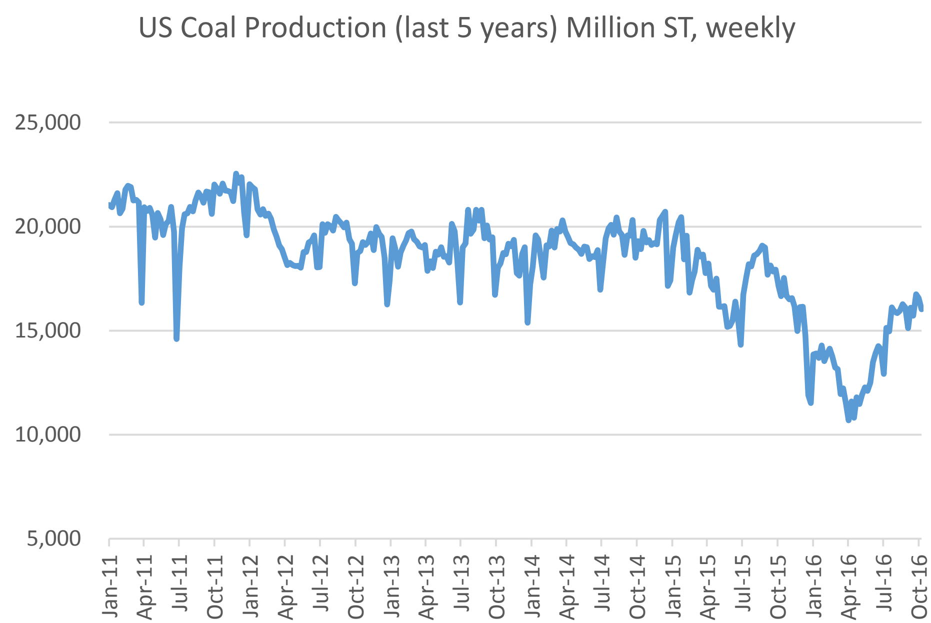
Industrial and Mining

Industrial market – Trending slightly up in 2016 and into 2017. The auto and housing markets continue to look good for the coming year.

Mining market – Coal Update:

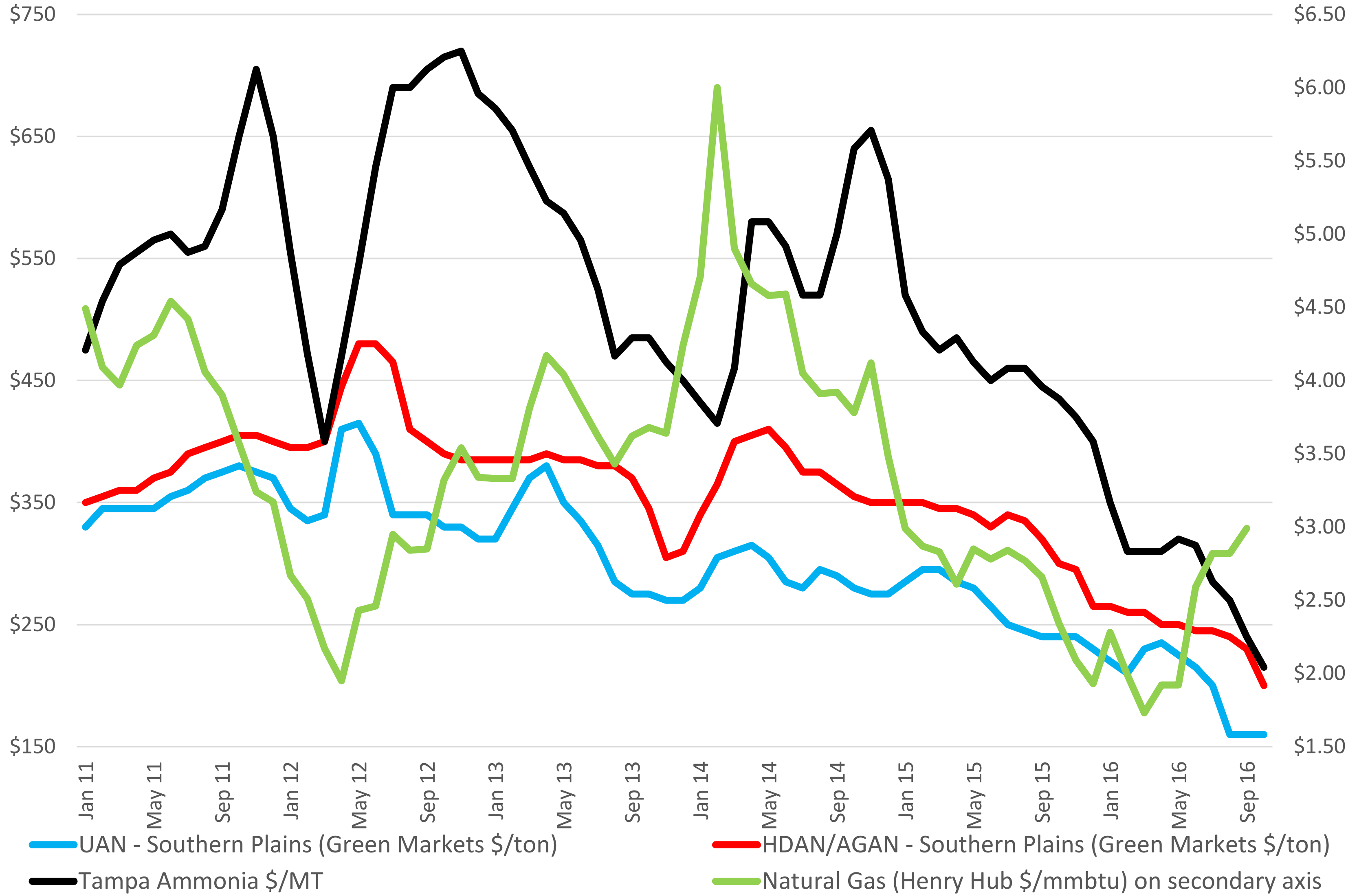
EIA estimates the electric power sector will decrease consumption by 9% in 2016, which accounts for more than 90% of total U.S. coal consumption.

EIA estimates that U.S. coal production for September 2016 decreased 13% YoY. Forecasted production is expected to decrease by 19% in 2016 from 2015 levels. A rebound of 3-4% is projected for 2017, with coal gaining 1% of electricity generation use.



Sources: Corn Prices – Chicago Board of Trade 10-23-16 close; Wheat prices – Kansas City Board of Trade 10-23-16 close; US Coal Production – eia.gov historical data files

Chemical Commodities
Feedstock & End Products 5-year Price Trends



Agricultural Chemicals –
Attractive Medium to Long-Term Industry Fundamentals

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World situation

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

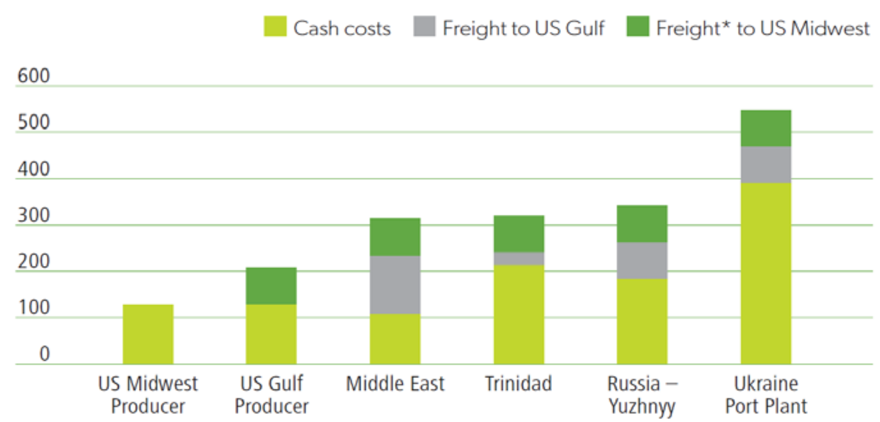
North American situation

- 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

Operational Review

El Dorado Operational Review

Ammonia

Current Status: ammonia plant currently operating at full rate

Third Quarter Items:

- Power failure to site in July
- Various heat exchanger tube leaks
- Flare stack vent system expansion joints
- Compressors gasket and seal replacements
- Steam valve replacement for syngas turbine

Going Forward:

- Heat exchanger replacements
- Optimize cost control and ensure the plant is on-stream 95%+
- Consistently produce at 1250-1300 tons / day

Nitric Acid

Current Status: nitric acid plant is currently down and undergoing inspection

Third Quarter Items:

- Heat exchanger replacements
- N2O catalysts basket replacement
- N2O catalysts vessel cracks and gasket repairs
- Steam turbine expander efficiency required
- N2O by-pass installation required
- N2O vessel repair or replacement required

Going Forward:

- Working with technology provider and sub-contractor to determine modification and design changes to N2O vessel
- Plan for by-pass system is in progress. We expect costs associated with the by-pass system and all repairs related to the nitric acid plant to be covered under warranty.
- Efficiency improvements with expander
- Focus on reliability and ensure plant is repaired in a timely manner

Pryor, Cherokee and Baytown Operational Review

Pryor

Current Status: All plant operations currently at full rates

Third Quarter Items:

- Turnaround started 8/25
- Urea reactor leaks repaired (down from 8/25 to 10/29)
- Ammonia compressor gearbox lubrication system modifications on re-start after turnaround
- All other Turnaround activities were on time, on budget

Going Forward:

- Focus on reliability and maintain high on-stream rates (90%-95%)
- Operate AN Warehouse for enhanced distribution plan

Baytown

Current Status: Plant operations currently at full rates

Third Quarter Items:

- Turnaround completed 10/24
- All Turnaround activities were on time, on budget

Cherokee

Current Status: All plant operations currently at full rates

Third Quarter Items:

- All Turnaround activities were on time, on budget
- Gasket leak on syngas compressor on re-start after Turnaround
- 34 days at 2/3 ammonia plant rates

Going Forward:

- Focus on reliability and maintain high on-stream rates (95%)+
- Execute AN distribution plan with existing storage dome

Financial Review

LSB Consolidated Financial Highlights
Third Quarter 2016

($ in millions except EPS)	Three Months Ended September 30, 2016	2015	Change	Nine Months Ended September 30, 2016	2015	Change
Net Sales	**$80.3**	**$88.6**	**($8.3)**	**$289.2**	**$347.7**	**($58.5)**
Gross Profit (Loss)	**($36.4)**	**($11.8)**	**($24.6)**	**($40.4)**	**$21.6**	**($62.0)**
% of net sales	*-45.30%*	*-13.30%*	*-32.00%*	*-14.00%*	*6.20%*	*-20.20%*
Selling, General and Administrative	**$10.0**	**$11.6**	**($1.6)**	**$31.7**	**$37.3**	**($5.6)**
% of net sales	*12.40%*	*13.10%*	*-0.70%*	*11.00%*	*10.70%*	*0.20%*
Operating Income (Loss)	**($45.9)**	**($62.2)**	**$16.3**	**($72.1)**	**($54.0)**	**($18.1)**
% of net sales	*-57.20%*	*-70.20%*	*13.00%*	*-24.90%*	*-15.50%*	*-9.40%*
Net Income from discontinued operations, net of taxes	**$173.0**	**$2.7**	**$170.3**	**$196.6**	**$8.4**	**$188.2**
Net Income (Loss)	**$133.6**	**($33.8)**	**$167.4**	**$133.7**	**($26.7)**	**$160.4**
% of net sales	*166.40%*	*-38.10%*	*204.50%*	*46.20%*	*-7.70%*	*53.90%*
Diluted EPS	**$4.14**	**($1.48)**	**$5.62**	**$3.72**	**($1.19)**	**$4.91**
EBITDA (1)	**($31.0)**	**($12.4)**	**($18.6)**	**($29.6)**	**$13.3**	**($42.9)**
Adjusted Operating Loss (1)	**($43.9)**	**($19.9)**	**($24.0)**	**($50.3)**	**($11.1)**	**($39.2)**
Adjusted Loss from continuing operations Applicable to Common Stock (1)	**($57.3)**	**($10.7)**	**($46.6)**	**($86.3)**	**($9.3)**	**($77.0)**
Adjusted Diluted EPS (1)	**($2.12)**	**($0.47)**	**($1.65)**	**($3.46)**	**($0.41)**	**($3.05)**
Adjusted EBITDA (1)	**($26.5)**	**($9.8)**	**($16.7)**	**($7.2)**	**$16.5**	**($23.7)**

(1) Refer to Appendix for reconciliation of adjusted operating income, adjusted net income (loss) from continuing operations applicable to common stock, adjusted diluted EPS, EBITDA and Adjusted EBITDA

Third Quarter Adjusted EBITDA vs. Previous Year

($ in millions)

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2015 Q3 Adjusted EBITDA			**($9.8)**
Price Impact			
UAN	↓	~$80/ton	(5.1)
Ammonia	↓	~$175/ton	(4.1)
HDAN	↓	~$120/ton	(1.9)
Other (including natural gas)			(0.5)
Net Price Impact			(11.6)
Sales Volume Impact			
UAN	↑	~6,700 tons	0.5
HDAN	↑	~10,700 tons	1.3
LDAN	↑	~11,200 tons	2.0
AN Solution	↓	~12,800 tons	(1.7)
			2.1
EDC Impact of ammonia production			
Lower cost of "make vs. buy"	↑		5.0
Additional sales volumes to pipeline			2.6
			7.6
EDC Nitric Acid Plant repair and start up costs	↓		(4.3)
Unplanned Downtime	↓		
Repair expense, lost fixed cost absorption at EDC and Cherokee			(11.0)
Improved fixed cost absoption at Pryor due to improved run time and lower Turnaround costs			4.1
Cherokee planned Turnaround costs			(5.3)
			(12.2)
Lower SG&A / Other	↑		1.7
2016 Q3 Adjusted EBITDA			**($26.5)**

Capital Structure/ Actual and Pro-forma

($ in millions)

	9/30/16	Pro-forma Adjustments	Pro-forma 9/30/16
Cash and Cash Equivalents	**$ 183.0**	**$ (106.9)**	**$ 76.1**
Senior Secured Notes	475.0	(100.0)	375.0
ABL Credit Facility	-	-	-
Other Debt	56.7	-	56.7
Unamortized Discount and Debt Issuance Costs	(12.2)	-	(12.2)
Total Long-Term Debt, Including Current Portion, net	**$ 519.5**	**$ (100.0)**	**$ 419.5**
Series E and F Redeemable Preferred Stock ($156.4 million liquidation preference including accrued dividends)	**$ 138.0**	**$ -**	**$ 138.0**
Total Stockholders' Equity	**$ 520.0**	**$ (6.9)**	**$ 513.1**

Key Information:

Senior Secured Notes

- $375 million at 8.5%
- Due August 2019

ABL Facility

- $100 million (Prime + 50 bps)
- $22.6 million availability at September 30, 2016
- Expires April 2018

Free Cash Flow

($ in millions)	Nine Months Ended September 30, 2016	2015	Change
Net Income (Loss)	**$ 133.7**	**$ (26.7)**	**$ 160.4**
Income from discontinued operations, net of taxes	(196.6)	(8.4)	(188.2)
Depreciation, Depletion and Amortization (PP&E)	41.5	26.5	15.0
Change in Working Capital and Other (1)	20.6	27.8	(7.2)
Net Cash provided (used) by Continuing Operating Activities	**$ (0.8)**	**$ 19.2**	**$ (20.0)**
Capital Expenditures (PP&E)	(202.2)	(300.0)	97.8
Free Cash Flow from Operations (2)	**$ (203.0)**	**$ (280.8)**	**$ 77.8**
Net cash provided (used) by financing	(90.8)	27.9	(118.7)
Net proceeds from discontinued operations	346.1	21.2	324.9
Deposits of restricted cash	(186.9)	-	(186.9)
Net proceeds from short-term investments and restricted cash	80.0	70.5	9.5
Other	3.4	0.1	3.3
Change in Cash and Cash Equivalents (Current and Noncurrent)	**$ (51.2)**	**$ (161.1)**	**$ 109.9**

(1) Working capital and other includes changes in accounts receivable, inventory, prepaids, accounts payable, accrued liabilities, customer deposits, and deferred taxes.

(2) 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.

4th Quarter Cash Flow Outlook

($ in millions)

Cash - September 30, 2016	**$ 76.0**
Projected EBITDA	(3.0 - 5.0)
Projected Change in Net Working Capital	(5.0 - 10.0)
Projected Capital Expenditures	(12.0 - 14.0)
Principle & Interest payments	(5.0)
Ending projected cash, December 31, 2016	**$42.0 - $51.0**
Projected available borrowings under ABL	$30.0 - $35.0 [1]

(1) Available ABL borrowings reflective of projected increase in accounts receivable and inventory from plants in operation and producing/selling product during the quarter.

2017 Cash Flow Outlook

($ in millions)

Projected Cash - December 31, 2016	**$42.0 - $51.0**
Projected Net Cash from Sales of Non Core Assets	20.0 - 25.0
Projected Full Year Maintenance CAPEX	(30.0 - 35.0)
Full Year Principle & Interest Payments	(41.0) [1]
Available borrowings under ABL	$30.0 - $35.0

(1) Assumes the sale of certain non-core assets in the first quarter of 2017

2016 Outlook

- **Sales Volume**:

Products	Fourth Quarter 2016 Sales (tons)	Full Year 2016 Sales (tons)
Agriculture:		
UAN	95,000 – 100,000	380,000 – 385,000
HDAN	40,000 – 45,000	210,000 – 220,000
Ammonia	20,000 – 25,000	100,000 – 110,000
Industrial, Mining and Other:		
Nitric acid	130,000 – 135,000	525,000 – 535,000
LDAN	20,000 – 25,000	70,000 – 75,000
AN Solution	10,000 – 15,000	68,000 – 73,000
Ammonia	45,000 – 50,000	120,000 – 130,000

- **Depreciation**: $70 million to $75 million in 2017
- **Selling, general and administrative expenses**: Approximately $38 million in 2017 ($6 million decrease from 2016)
- **Interest expense**: Approximately $35 million in 2017
- **Maintenance Capital Expenditures**: $30 million to $35 million for 2017

Focus for 2017

- Achieve an average on-stream rate of 95% for our ammonia plants
  - Reduce unplanned downtime at all our facilities

- Broaden the distribution of our AN products
  - Building AN storage domes at EDC and reopening distribution facilities at Cherokee and Pryor

- Cost reduction and expense control
  - Continued realignment of corporate structure
  - Reduced plant expenses
  - Rationalize and reduce freight costs

Appendix

EBITDA Reconciliation

LSB Consolidated ($ in millions)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net income (loss) Plus:	**$133.6**	**($33.8)**	**$133.7**	**($26.7)**
Interest Expense	13.3	0.9	21.1	6.5
Provision for impairment	-	39.7	-	39.7
Depreciation and amortization	17.3	10.1	42.9	27.6
Benefit for income taxes	(22.2)	(26.6)	(30.7)	(25.4)
Income from discontinued operations	(173.0)	(2.7)	(196.6)	(8.4)
EBITDA (1) Plus:	**($31.0)**	**($12.4)**	**($29.6)**	**$13.3**
Consulting Fee- Negotiated Property tax savings at El Dorado	-	-	12.1	-
Loss on disposal of property, plant, and equipment	-	-	0.6	-
Stock based compensation	1.3	0.4	3.2	1.0
Start-up/ Commissioning costs at El Dorado	-	-	5.1	-
Fair market value adjustment on preferred stock embedded derivatives	2.5	-	1.0	-
Delaware unclaimed property liability	-	-	0.3	-
Life insurance recovery	-	-	(0.7)	-
Severance costs	0.7	2.2	0.8	2.2
Adjusted EBITDA (2)	**($26.5)**	**($9.8)**	**($7.2)**	**$16.5**

(1) EBITDA is defined as net income plus interest expense, depreciation and amortization of property plant and equipment (which includes amortization of other assets and excludes interest included in amortization), less benefit for income taxes and income from impairment, discontinued operations, net of 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, severance, non-cash stock based compensation, non-cash loss on disposal of property, plant, and equipment, Delaware unclaimed property liability, and life insurance recovery. We believe that the inclusion of supplementary adjustments to operating loss, EBITDA, net loss from continuing operations applicable to common stock and diluted income per common share from continuing operations, 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.

Other Non-GAAP Reconciliations

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LSB Consolidated ($ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating loss Plus:	**($45.9)**	**($62.2)**	**($72.1)**	**($54.0)**
Impairment on natural gas properties	-	39.7	-	39.7
Consulting Fee- Negotiated Property tax savings at El Dorado	-	-	12.1	-
Loss on disposal of property, plant, and equipment	-	-	0.6	-
Stock based compensation	1.3	0.4	3.2	1.0
Start-up/ Commissioning costs at El Dorado	-	-	5.1	-
Severance costs	0.7	2.2	0.8	2.2
Adjusted operating loss (1)	**($43.9)**	**($19.9)**	**($50.3)**	**($11.1)**

(1) Adjusted operating loss is reported to show the impact of a one-time consulting fee, impairment on natural gas properties, start-up/commissioning costs, severance, non-cash stock based compensation, non-cash loss on disposal of property, plant, and equipment. We believe that the inclusion of supplementary adjustments to operating loss are appropriate to provide additional information to investors about certain items. The table above provides reconciliations of operating loss excluding the impact of the supplementary adjustments.

Other Non-GAAP Reconciliations

LSB INDUSTRIES

LSB Consolidated ($ in millions except EPS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss from continuing operations applicable to common stock Plus:	**($61.0)**	**($36.4)**	**($103.8)**	**($35.4)**
Impairment on natural gas properties	-	24.2	-	24.2
Consulting Fee- Negotiated Property tax savings at El Dorado (net of tax)	-	-	7.4	-
Loss on disposal of property, plant, and equipment (net of tax)	-	-	0.4	-
Stock based compensation (net of tax)	0.8	0.2	1.9	0.6
Start-up/ Commissioning costs at El Dorado (net of tax)	-	-	3.1	-
Fair market value adjustment on preferred stock embedded derivatives (non-tax deductible)	2.5	-	1.0	-
Delaware unclaimed property liability (net of tax)	-	-	0.2	-
Valuation allowance on state net operating losses	-	-	3.7	-
Life insurance recovery (non-tax deductible)	-	-	(0.7)	-
Severance costs	0.4	1.3	0.5	1.3
Adjusted loss from continuing operations applicable to common stock (1)	**($57.3)**	**($10.7)**	**($86.3)**	**($9.3)**
Weighted-average common shares (in thousands)	27,076	22,799	24,926	22,741
Adjusted loss from continuing operations per diluted share (1)	**($2.12)**	**($0.47)**	**($3.46)**	**($0.41)**

(1) Adjusted loss from continuing operations applicable to common stock and adjusted loss from continuing operations per diluted share are reported to show the impact of a one-time consulting fee, impairment on natural gas properties, start-up/commissioning costs, certain fair market value adjustments, severance, non-cash stock based compensation, non-cash loss on disposal of property, plant, and equipment, valuation allowance on state net operating losses, Delaware unclaimed property liability, and life insurance recovery. We believe that the inclusion of supplementary adjustments to net loss from continuing operations applicable to common stock and diluted income per common share from continuing operations, are appropriate to provide additional information to investors about certain items. The table above provide reconciliations of net loss from continuing operations applicable to common stock and diluted loss from continuing operations per common share excluding the impact of the supplementary adjustments.