LSB INDUSTRIES

Second Quarter 2018 Update

July 26, 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.

Second Quarter 2018 Highlights

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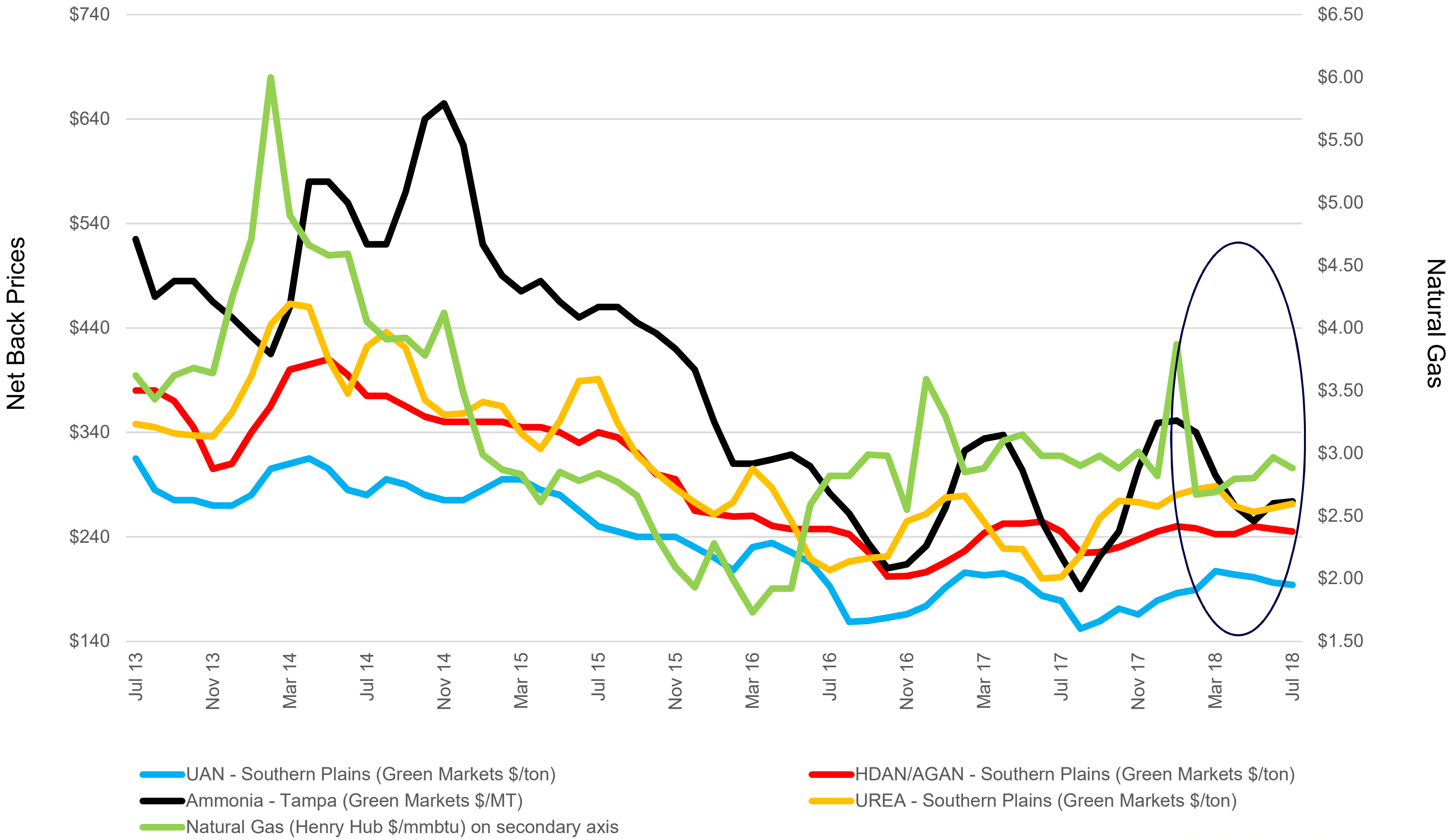
- Net pricing per ton for UAN, HDAN, and agricultural ammonia improved 14%, 13%, and 10% respectively from Q2 2017.
  - Based on third quarter presales of UAN and ammonia, we expect a continued trend towards stronger pricing relative to 2017 for the balance of this year.
- Sales volumes for nitric acid and other industrial products increased 35% and 15% respectively compared to Q2 2017. Mining products sales volumes increased 20% over Q2 2017.
- Average natural gas cost/MMBtu decreased 16% from Q2 2017.
- Upgrades to our existing maintenance management systems were largely completed in the second quarter and we expect to see benefits in the second half of 2018.
- We materially completed our initial areas of focus around centralizing and expanding our Company-wide procurement efforts and that effort has a run rate of approximately $3 million of annual cash savings; we expect to begin seeing benefits from these efforts in the second half of 2018.
- Third Party Engineering firms have completed their reviews of all of Pryor's plants and electrical infrastructure confirming our internal assessments with no surprises.

Chemical Commodities
Feedstock & End Products 5-year Price Trend



Market Outlook

Agricultural

- Net UAN and ammonia imports down 756,000 and 1,130,000 tons versus one year ago
- Capacity has been absorbed by market demand
- Domestic distribution channel for fertilizers has been undergoing an evolution towards a more disciplined approach to price management
- Based on third quarter presales of UAN and ammonia, we expect a continued trend towards stronger pricing relative to 2017 for the balance of this year.
- Corn prices average ~ $3.70/bushel over next 12 months

Industrial and Mining

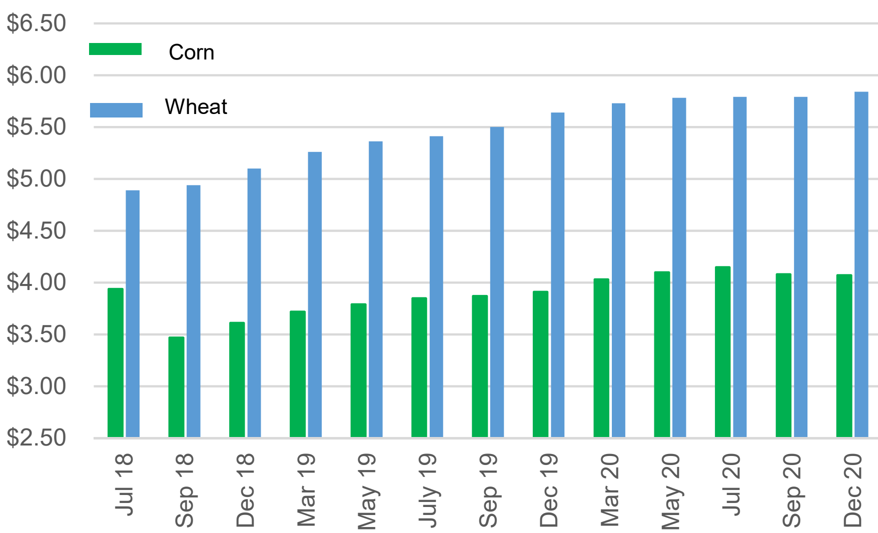
Industrial market:

- According to the American Chemistry Council, the U.S. economic indicators continue to be mostly positive for the housing, automotive, and paper sectors, domestically

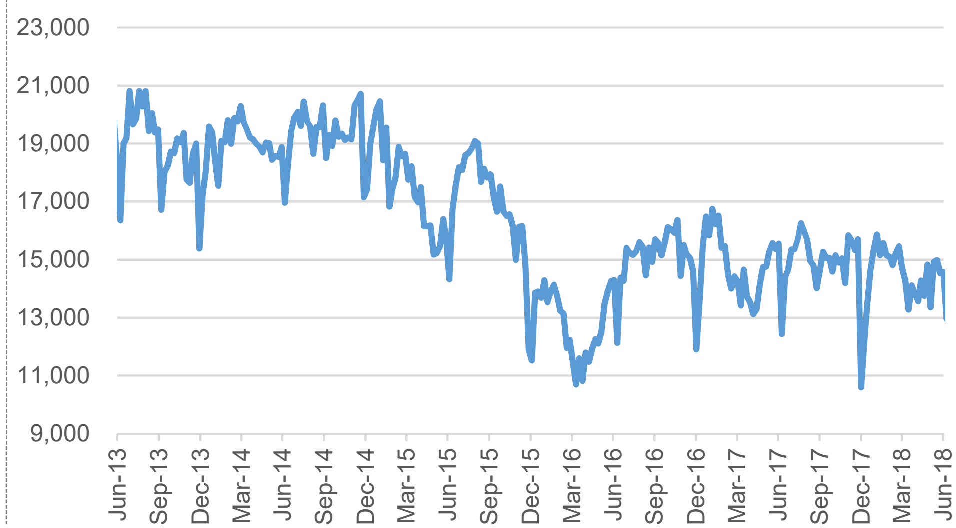
Mining market – Coal Update:

- The EIA is forecasting 2018 U.S. coal production to be in line with 2017 levels and decrease approximately 3% in 2019.
- Coal consumption is expected to decline over the next two years due to low natural gas prices reducing demand for coal for coal-fired electricity generation (down 4% in 2018)

Forward Crop Prices / Bushel



US Coal Production (last 5 years) Million Short Ton



Sources: Corn Prices – Chicago Board of Trade 7-18-18 close; Wheat prices – Kansas City Board of Trade 7-18-18 close; US Coal Production – eia.gov historical data files

Operational Review

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Operational Review

El Dorado

- Ammonia plant on-stream rate of 62%
- June outage to repair ammonia plant auxiliary boiler
- Pulled forward maintenance work previously planned for September during June outage
- Currently at reduced rates due to SCR catalyst pressure drop – end of life
- Planning a 5-day August outage to install upgraded turbine rotor and replace SCR catalyst

Pryor

- Ammonia plant on-stream rate of 65%
- Engineering risk assessment of Ammonia and Urea plant completed by Black & Veatch and BD Energy
- New urea reactor being built by Stamicarbon; delivery in Q4 2018
- Engineering for process control automation underway
- No planned Turnaround in 2018

Cherokee

- Ammonia on-stream rate of 100%
- 35 day Turnaround started on July 23rd

Baytown

- Plant operating at full rates

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

Focus on Pryor

BD Energy Ammonia Plant Assessment

- Process Evaluation for the Ammonia plant
- Heat and material balance
- Improve performance, reliability and efficiency
- Study is complete; recommendations to improve efficiency; no major concerns

Black & Veatch Full Facility Assessment

- Risk review of mechanical and electrical reliability issues for entire facility
- Study is complete / follow up actions underway
- No surprises / confirms internal assessments

Financial Review

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LSB Consolidated Financial Highlights

Second Quarter 2018

($ In Millions, Except EPS)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Change	Six Months Ended June 30, 2018	Six Months Ended June 30, 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)

	Quarter Ended	
	2018	**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**

Illustrative EBITDA Impact Associated with Changes in Product & Feedstock Pricing

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(Based on 2018 Volumes)

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

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 @ 14%

First put date October 2023

Working Capital Revolver
- $50 million (Prime + 50 bps)
- Expires January 2022
- No borrowings at June 30, 2018

Free Cash Flow

$ In Millions	Six Months Ended June 30, 2018	2017	Change
Net loss	**$ (33.1)**	**$ (13.0)**	**$ (20.1)**
Depreciation, depletion and amortization	37.8	35.1	2.7
Deferred income taxes (benefit)	3.4	(4.0)	7.4
Stock based compensation	2.9	2.7	0.2
Loss on Extinguishment of Debt	6.0	-	6.0
Change in Accounts Receivable balances	6.9	(8.2)	15.2
Change in Inventory balances	7.3	7.8	(0.4)
Other[1]	2.0	2.5	(0.5)
Net Cash provided by Continuing Operating Activities	**$ 33.3**	**$ 22.9**	**$ 10.4**
Capital expenditures for property, plant & equipment	(15.4)	(16.4)	1.0
Net proceeds from sale of a business and other property and equipment	0.6	18.8	(18.2)
Free Cash Flow from Operations and Investing[2]	**$ 18.5**	**$ 25.3**	**$ (6.8)**
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	(12.5)	-	(12.5)
Net payments of debt, short-term financing, and other	(12.4)	(17.3)	4.9
Net cash used by financing	(9.4)	(17.3)	7.9
Net cash used by discontinued operations	-	(1.8)	1.8
Other	4.5	1.0	3.5
Increase in Cash and Cash Equivalents	**$ 13.6**	**$ 7.2**	**$ 6.4**

(1) Other includes changes in prepaids, accounts payable, accrued liabilities, and customer deposits.

(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.

Areas of Focus

Strategic Direction

- Larger platform to compete effectively
- Further industry consolidation in the fertilizer space to gain synergies / operational flexibility
- Focus on opportunities to gain scale and product diversity in the Industrial and Mining space

Operational Focus

- Successful Turnaround at our Cherokee facility
- Improving the on-stream rates of our chemical plants
- Focus on the continued improvement of our safety performance
- Continue broadening of the distribution of our AN and Nitric Acid products
- Improving the margins on sales of our products

Appendix

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EBITDA Reconciliation

LSB Consolidated ($ In Millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	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,		Six Months Ended June 30,	
	2018	2017	2018	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.

Consolidated EBITDA

Sensitivity Analysis (*$ In Millions)*

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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

Key factors in model above:

- 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 expense)
- 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