



# Investor Presentation

May 2019

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# 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 “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 additions; 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, 2018 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.

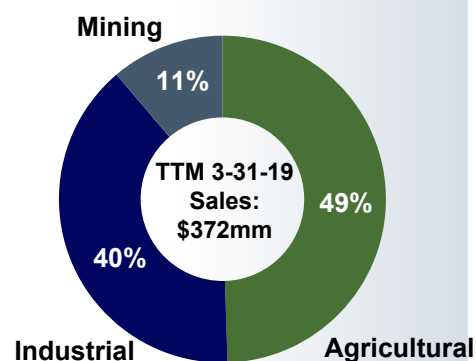
Please see the EBITDA Reconciliation slide included in this presentation for other important information.


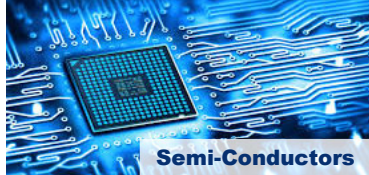



# Key Investment Highlights



- 1 Diversified Nitrogen Chemicals Business with differentiated end market positions
- 2 Business strength supported by stable Industrial and Mining Business with attractive margins
- 3 Favorable long-term dynamics in Agricultural Business creates significant upside in margins
- 4 Operational improvements benefiting from over \$1 billion of investment and enhancement of operating and maintenance programs

# 1 Diversified Nitrogen Chemicals Business with Differentiated End Market Positions







	Key Products	End Markets	Application
Agricultural	<ul style="list-style-type: none"> <li>• Urea ammonium nitrate solutions (UAN)</li> <li>• Ammonium nitrate (AN) – High density prills</li> <li>• Ammonia</li> </ul>	<ul style="list-style-type: none"> <li>• Fertilizer for corn and other crops</li> <li>• Primary nitrogen component in nitrogen, phosphorus and potassium (NPK) fertilizer blends</li> <li>• High nitrogen content fertilizer primarily used for corn</li> </ul>	 Fertilizer
Industrial	<ul style="list-style-type: none"> <li>• Ammonia</li> <li>• Nitric Acid</li> <li>• Sulfuric Acid</li> <li>• Diesel exhaust fuel (DEF)</li> <li>• CO<sub>2</sub></li> </ul>	<ul style="list-style-type: none"> <li>• Power plant emissions abatement, water treatments, refrigerants, metals processing</li> <li>• Semi-conductor, nylon polyurethane intermediates, ammonium nitrate</li> <li>• Pulp and paper, aluminum, water treatment, metals and vanadium processing</li> <li>• Exhaust steam additive to reduce NO<sub>x</sub> emissions from diesel vehicles</li> <li>• Food refrigeration / freezing, enhanced oil recovery</li> </ul>	 Semi-Conductors  Power Plant Emissions  Water Treatment
Mining	<ul style="list-style-type: none"> <li>• Ammonium nitrate – low density prills 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>	 Mining

# 1 Differentiated Business Profile Focuses on Customers / End Markets Where LSB Is Advantaged

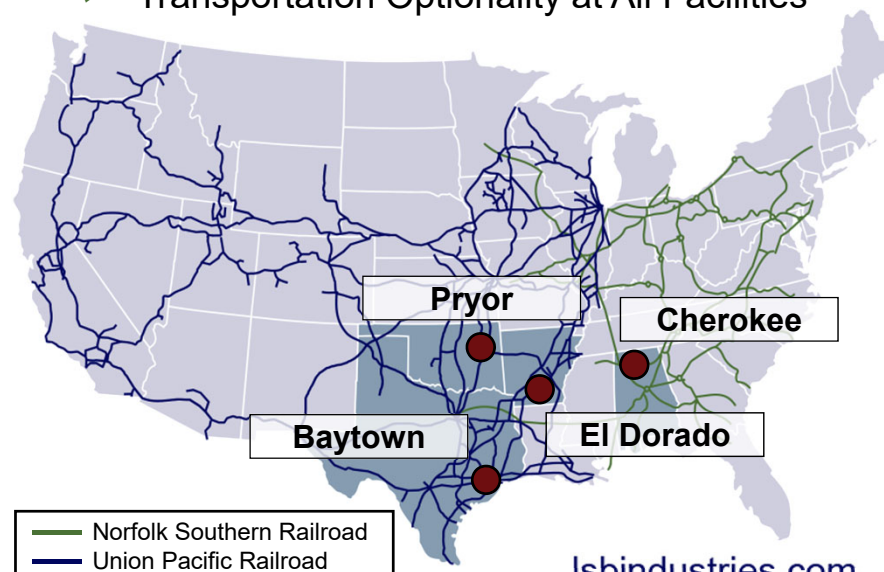


## Key Logistical Advantages

<b>El Dorado</b>		<ul style="list-style-type: none"><li>• Truck freight rate advantage on customers west of the Mississippi River</li><li>• Direct routes to western U.S. via rail</li></ul>
<b>Cherokee</b>		<ul style="list-style-type: none"><li>• Barge/rail/truck freight options</li><li>• ~\$8-10/ton freight advantage vs. UAN shipments originating from the Gulf</li></ul>
<b>Pryor</b>		<ul style="list-style-type: none"><li>• Close proximity to the Southern and Northern Plains</li></ul>
<b>Baytown</b>		<ul style="list-style-type: none"><li>• Anhydrous ammonia feedstock is delivered via pipeline</li></ul>

## Centrally located assets with access to...

- ✓ Northern Plains
- ✓ Southeast Paper Country
- ✓ Western Mining
- ✓ Customers not Freight Logical to Competitors
- ✓ Low Cost Feedstocks
- ✓ Transportation Optionality at All Facilities



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# 1 Diversified Agriculture Distribution Network and Logistics



Facility Location	Product	Method of Distribution	Regions Sold
Pryor, OK	UAN Ammonia	<ul style="list-style-type: none"> <li>• Marketing agreement with CVR Partners</li> <li>• Direct access to distributors / dealers / end users</li> </ul>	Southern Plains & Corn Belt
Cherokee, AL	UAN Ammonia	<ul style="list-style-type: none"> <li>• Direct to distributors / dealers / end users</li> </ul>	Eastern Corn Belt
El Dorado, AR	HDAN Ammonia	<ul style="list-style-type: none"> <li>• Direct to distributors / dealers / end users</li> <li>• Through 9 Ag Centers</li> </ul>	Southern Plains, South Central, Midwest & West

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

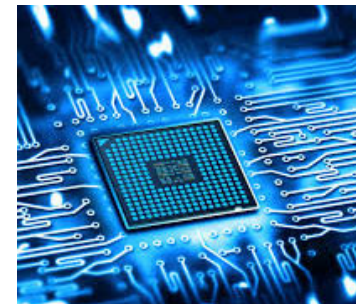


## 2 Business Supported By Stable Industrial and Mining Products Business



Facility Location	Product	Method of Distribution	Regions Sold
El Dorado, AR	Ammonia, Acids, LDAN	<ul style="list-style-type: none"> <li>• Ammonia pipeline; Union Pacific Rail</li> <li>• Purchase and sale agreement with Koch through 2020; bulk truck</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial customers in U.S., Canada and Mexico</li> <li>• Mining customers in the PRB<sup>1</sup></li> </ul>
Cherokee, AL	Ammonia, Acids, DEF, AN Solution, CO <sub>2</sub>	<ul style="list-style-type: none"> <li>• Barge via Tennessee River; Norfolk Southern Rail; bulk truck; CO<sub>2</sub> pipeline</li> </ul>	<ul style="list-style-type: none"> <li>• Southeast, Mid-Atlantic, Ohio Valley and Gulf Coast</li> </ul>
Pryor, OK	Ammonia, CO <sub>2</sub>	<ul style="list-style-type: none"> <li>• Bulk trucking and Union Pacific Rail</li> </ul>	<ul style="list-style-type: none"> <li>• AR, AZ and OK</li> </ul>
Baytown, TX	Nitric Acid	<ul style="list-style-type: none"> <li>• Plant is owned by Covestro, operated by LSB through 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Gulf Coast</li> </ul>

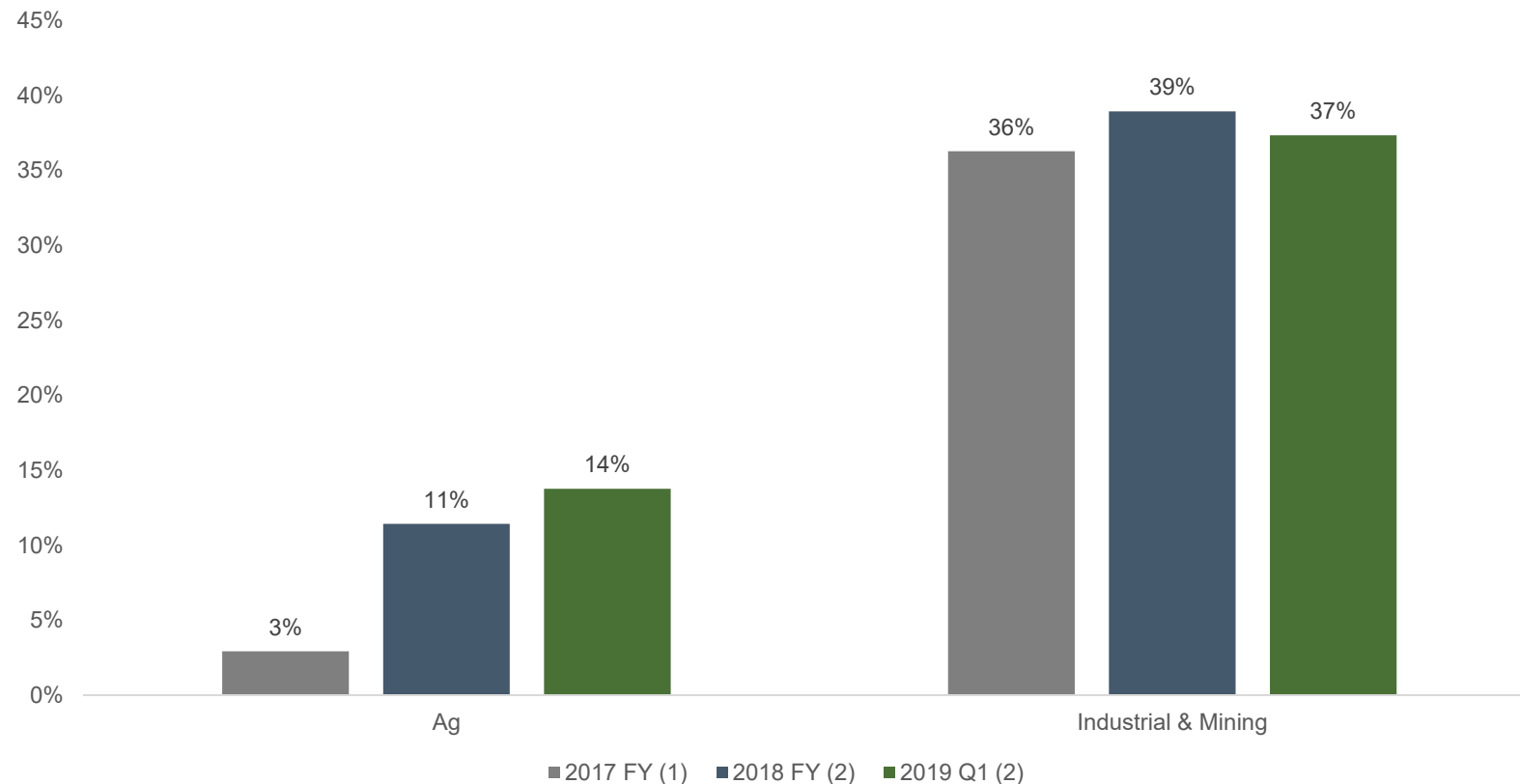
- ✓ Leading marketer of nitric acid in the U.S.
- ✓ Direct rail linkage to western mining operations
- ✓ Longstanding customer relationships
- ✓ Customers assume commodity price risk



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<sup>1</sup> PRB = Powder River Basin.

## 2 Industrial & Mining Margins Robust While Ag Margins on Path to Recovery



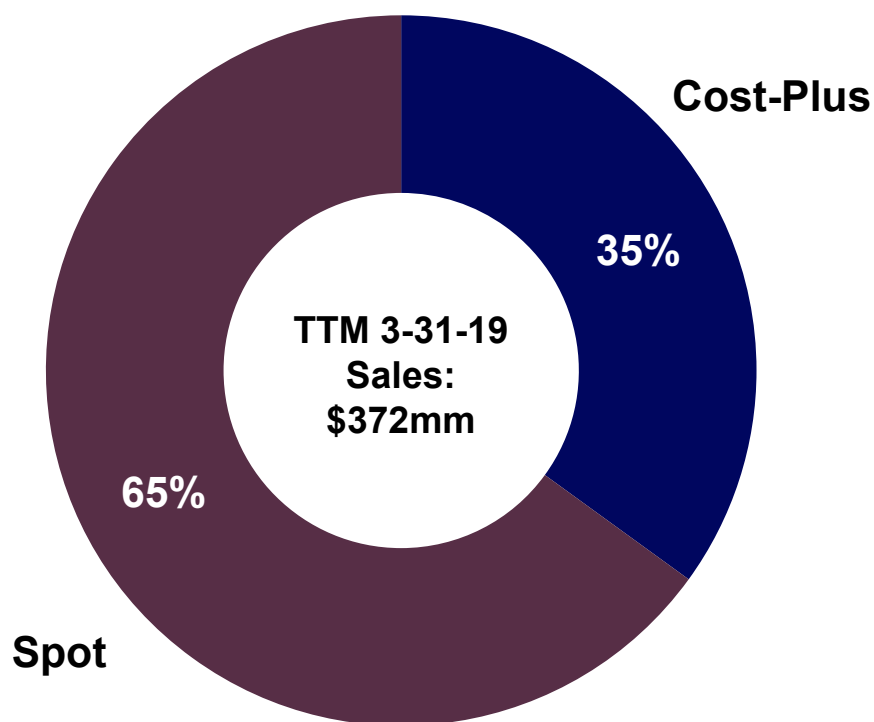
- (1) 2017 presentation reflects EBITDA Margin which excludes turnaround, corporate SG&A, and businesses disposed of during 2017. Refer to the 2017 EBITDA Reconciliation page within this presentation for 2017 reconciliation of end market operating loss to adjusted EBITDA .
- (2) 2018 and forward periods reflect gross profit margin which excludes turnaround, depreciation, and amortization expenses. Refer to the Gross Profit Reconciliation page within this presentation for 2018 and 2019 Q1 reconciliation of adjusted gross profit to reported gross profit.



## 2 Sales Mix Provides Stability and Look-Through In Contract Pricing



Q1-2019 TTM Sales by Pricing Method



- Approximately 35 percent of sales are currently non-seasonal and priced pursuant to contract agreements
- Contributes to margin stability through pass-through of raw materials and other manufacturing costs
- Positioned to optimize between cash flow stability and upside opportunities in commodity driven markets
- Approximately 50% of cost-plus sales contracts are tied to benchmark Ammonia pricing

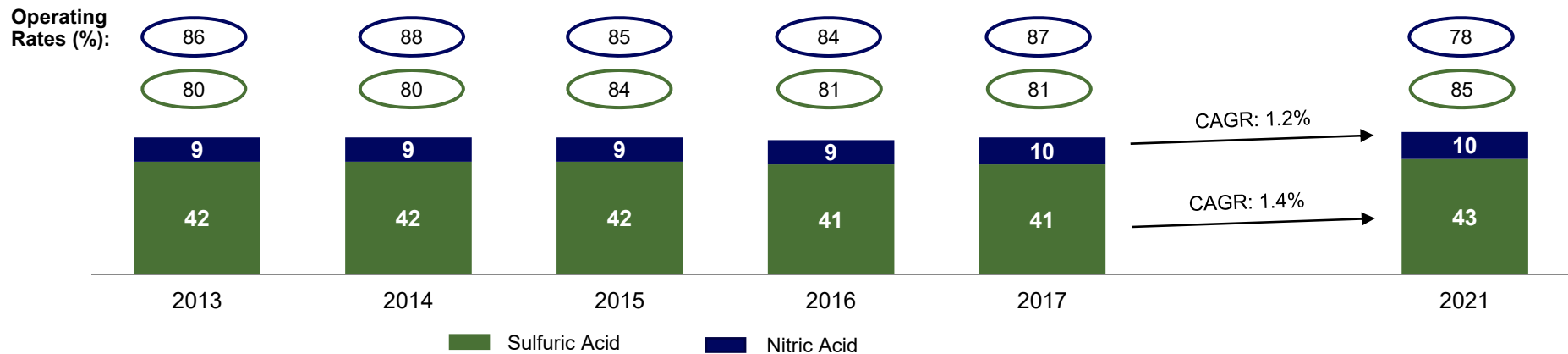
## 2 Stable Industrial Market Demand

Key Focus of LSB, Less so of Peers



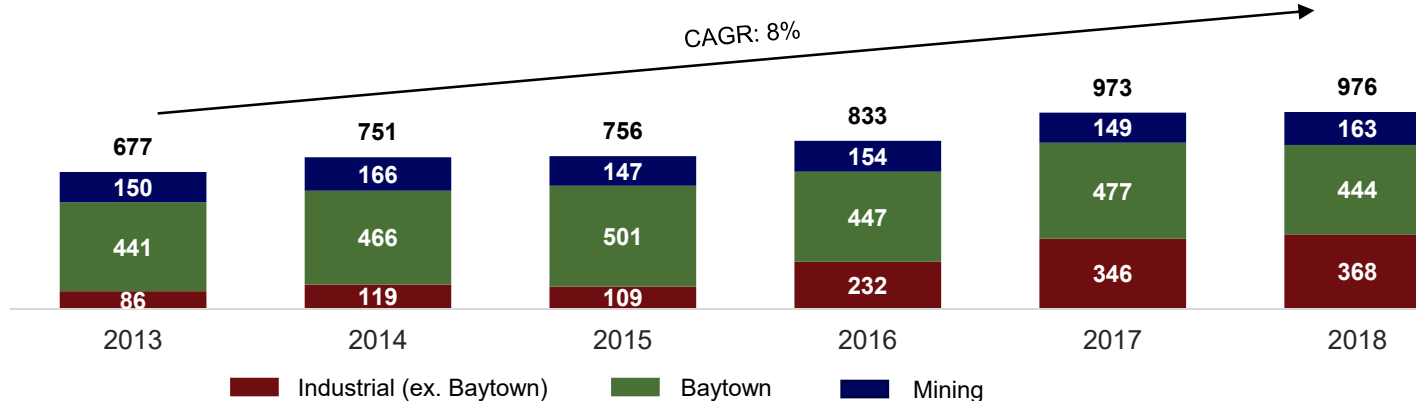
### Industrial End Market is Supported By Stable Demand for Sulfuric and Nitric Acid...

#### North American Demand (mm metric tons)



### And LSB Growth is Outpacing the Overall Market

#### LSB Industrial & Mining Supply (000 metric tons)



Non-Seasonal  
Industrial & Mining  
Sales Increase  
Stability of LSB's  
Profitability

EDC expansion has  
significantly  
increased Industrial  
& Mining capacity;  
Industrial sales  
volume up >300%  
since 2013

Source: IHS 2017

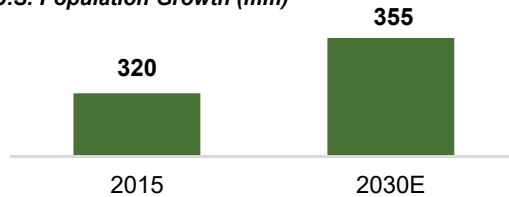
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### 3 Long-Term Structural Macro Drivers Expected to Continue Driving Secular Growth



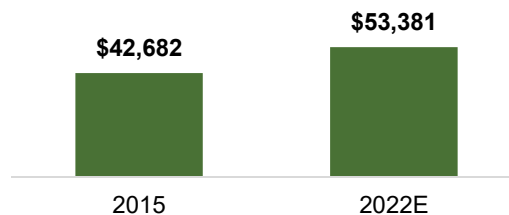
#### Continued Population Growth

U.S. Population Growth (mm)



#### Increased Consumption per Capita

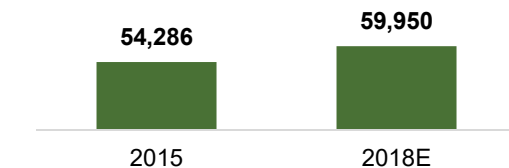
U.S. Income per Capita



*Higher incomes drive meat consumption*

#### Stable Ethanol Production

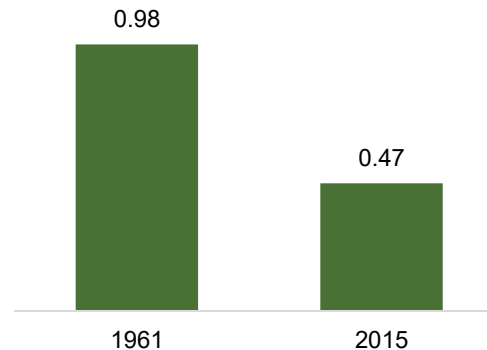
U.S. Ethanol Production



*Ethanol drives corn consumption*

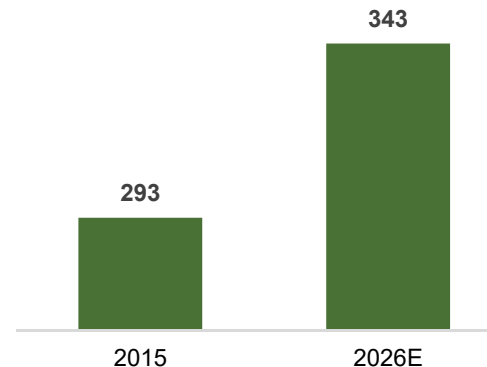
#### Less Arable Land Per Person

U.S. Arable Land per Person (Hectares)



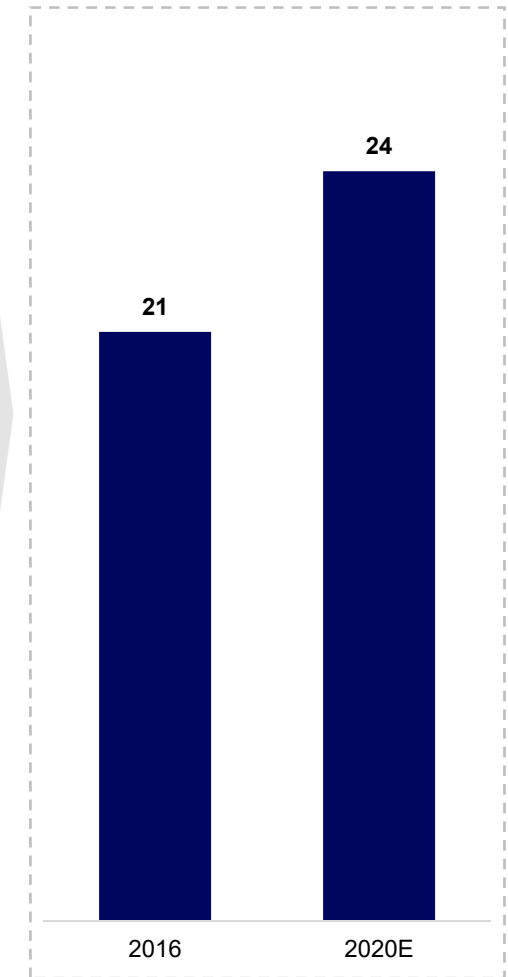
#### Increasing U.S. Corn Consumption<sup>1</sup>

MM Metric tons



#### Drives Ammonia Consumption

North American Ammonia Demand (MM Metric tons)



Source: Business Monitor International (BMI), IMF, Bloomberg, The World Bank, USDA and Fertecon

<sup>1</sup> Estimated from global consumption assuming 2016 global consumption split remains constant throughout the forecast period.

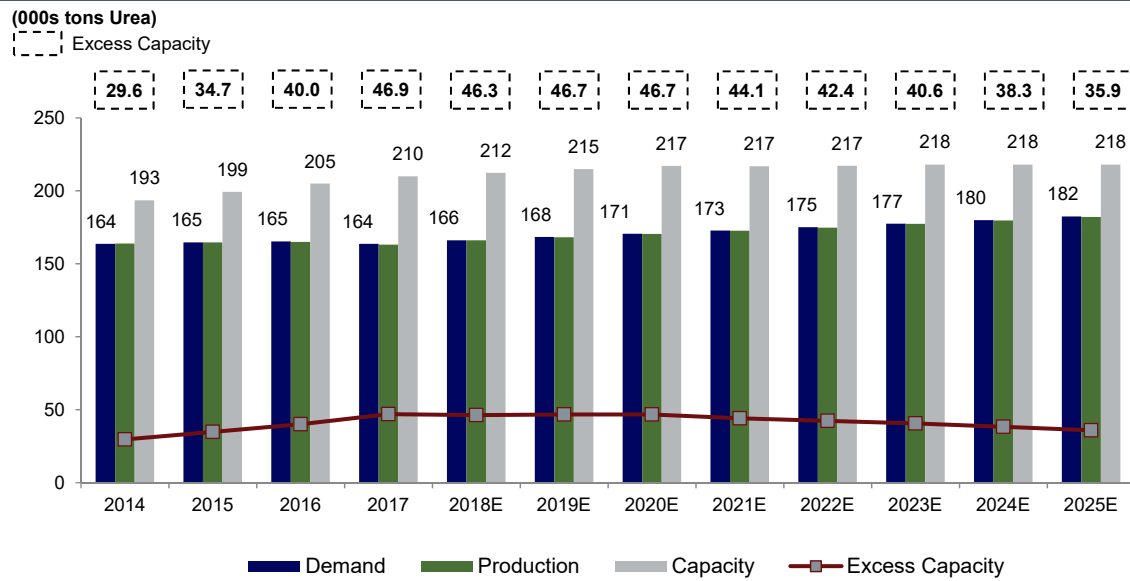
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### 3 Global Ammonia Market is Expected to Gain Momentum



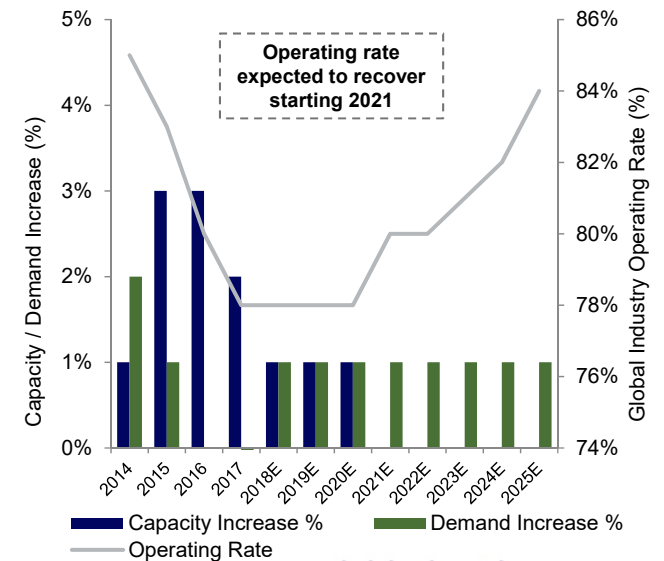
- The global nitrogen market recovery is projected to gain momentum in 2019, driven by the completion of all expansion projects and lower global operating rates
- Operating rates in China (the largest nitrogen fertilizer producer), together with temporary shutdowns in parts of Europe and Former Soviet Union (FSU), would keep the global operating rates at 10-15% lower than the historical average of 80-85%
- Additionally, the global nitrogen cost curve is projected to remain high (from higher energy prices)
  - **The North American players at the bottom of the curve would benefit from relatively lower natural gas prices**
- Tightening supply-demand dynamics expected to drive ammonia prices higher globally post North American weather impact this Spring

Positive Global Demand Expected to Push Excess Capacity Lower



Source: Wall Street Research

Urea Global Operating Rates Expected to Gain Momentum Through 2025E

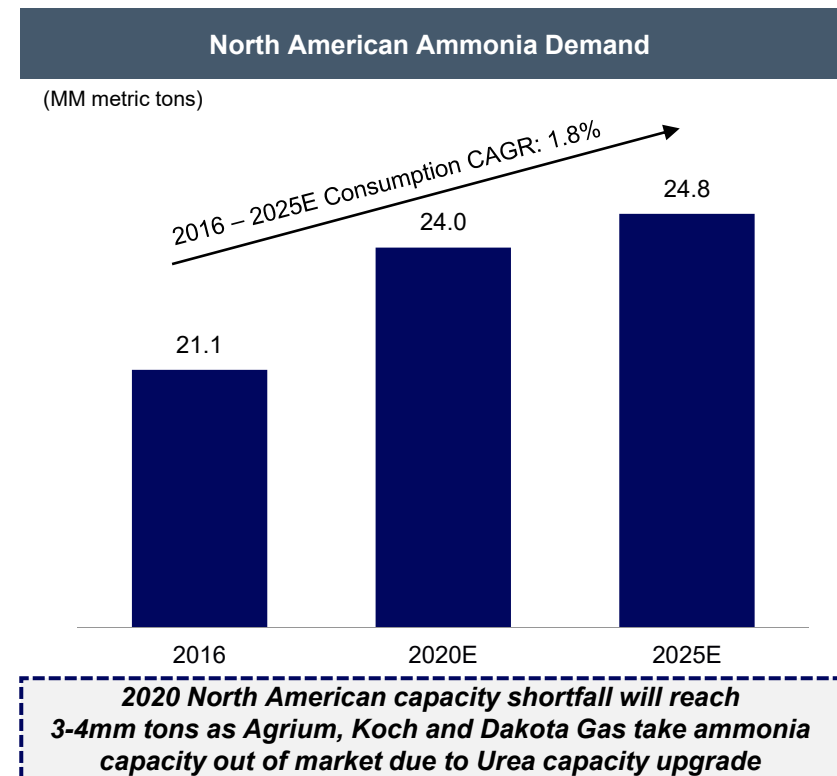
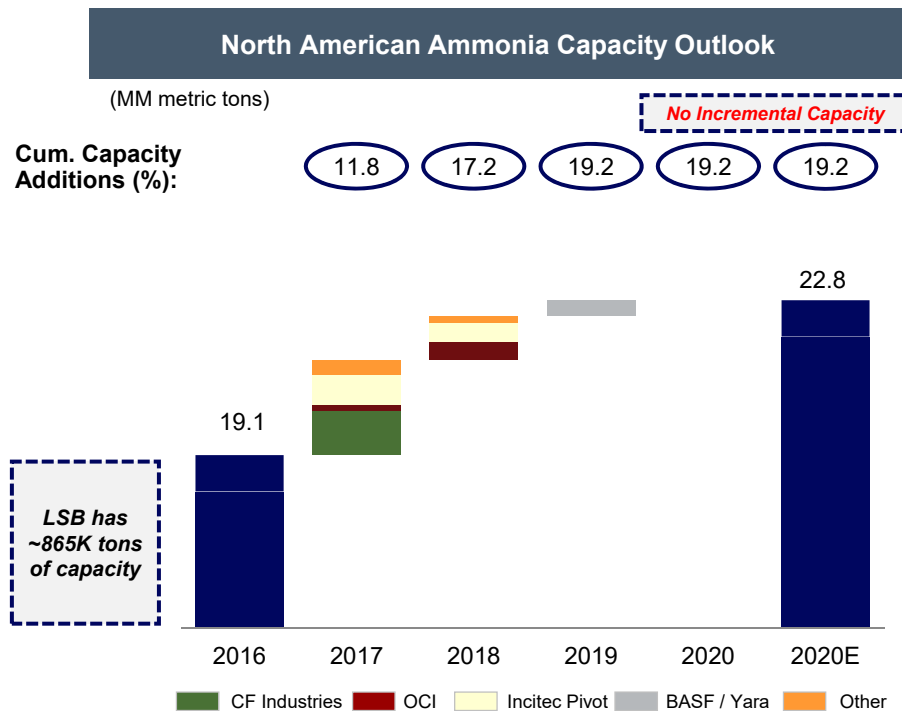


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### 3 North American Projected Capacity Rationalization is Supported by Attractive Demand Trends



- In the recent past, lower natural gas prices have prompted many North American producers to announce significant capacity additions, which have weighed down ammonia prices
- Planned capacity additions in North America, much of which were cancelled, are mostly behind us
- Growing demand expected to reduce ammonia oversupply and drive higher operating rates
  - **Higher operating rates expected to materially improve as demand grows closer to total production capacity**
- As supply-demand dynamics tighten, ammonia price recovery expected to gain momentum



Source: Fertecon, CRU and Wall Street Research

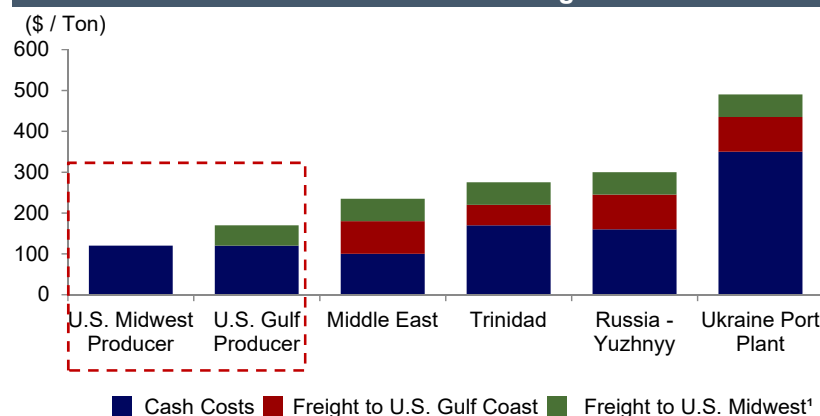


### 3 Attractive Combination of Low Priced Feedstock in an Increasing Ammonia Price Environment

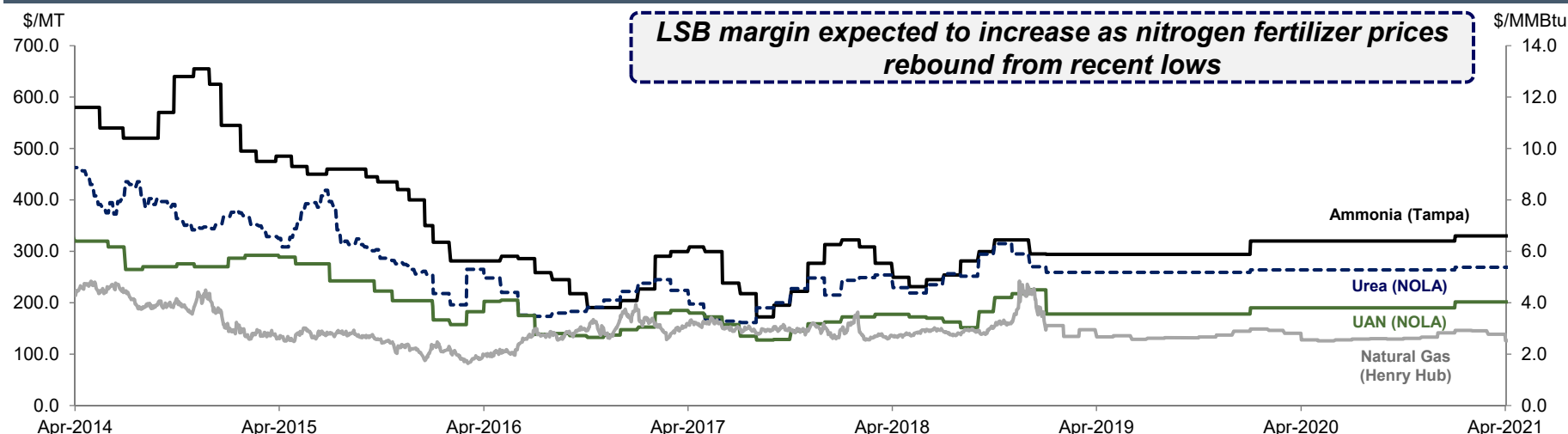


- Due to large shale gas deposits and technological advancements, domestic natural gas prices are expected to remain low
- The low cost position for U.S. ammonia producers is expected to allow domestic producers to take advantage of future demand and capacity increases
- While ammonia prices have been positively correlated with natural gas prices, as the price gap between the two commodities widens, LSB is expected to have opportunities for margin expansion and cash flow generation
- **LSB is positioned to benefit from a widening gap between a highly attractive cash cost position driven by low gas prices and increasing ammonia products prices**

**U.S. Ammonia Producers have a Commanding Position as the World's Lowest Cost Producer Serving the US Market**



**Spot Price Recovery Well Underway Across All Main Ammonia Products While Natural Gas Prices Remain Stagnant<sup>2</sup>**



*These forecasts are provided for information purposes only. Commodity price forecasts are inherently speculative and should not be relied upon. Actual prices may vary from these forecasts, and the difference may be material.*

Source: Bloomberg, Fertecon, Green Markets, PotashCorp, and Wall Street Research

<sup>1</sup> Includes related handling costs. <sup>2</sup> Natural gas projections based on NYMEX forward curve. Nitrogen price projections based on the median of broker forecasts.

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### 3 Illustrative EBITDA Impact Associated with Changes in Product & Feedstock Pricing



(Based on 2019 Volumes)

	Selling Price Comparison		Change in Selling Price Impact on EBITDA		
	Q2 2018 Actual Average Selling Prices	Q2 2019 Current/Expected Average Selling Prices	Change		Annual EBITDA Impact
UAN <sup>1</sup>	\$178 / ST	\$185 / ST	\$10.00	+/-	\$4.8mm
HDAN <sup>1</sup>	\$254 / ST	\$240 / ST	\$10.00	+/-	\$3.0mm
Tampa Ammonia <sup>1</sup>	\$265 / MT	\$245 / MT	\$10.00	+/-	\$3.8mm
<b>Illustrative Impact from \$10/ton change</b>				+/-	<b>~\$11.6mm</b>
Natural Gas (\$/MMBtu)	\$2.60 / MMBtu	\$2.40 / 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.

<sup>1</sup> Sensitivity calculated on products available for sale based on annual producing capacity.

## 4 Significant Investment of Capital Will Drive Improved Financial Performance

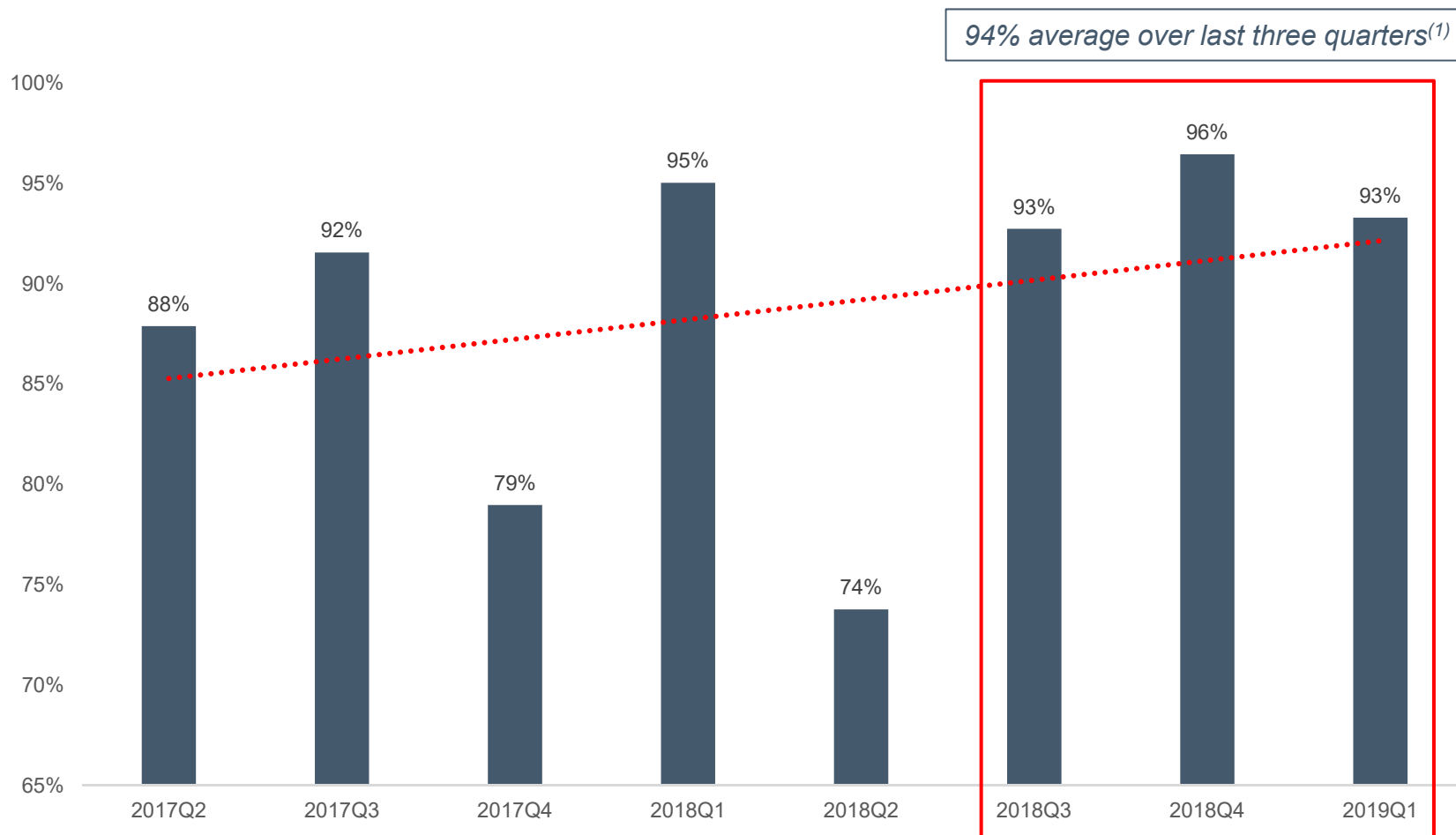


Total 2013-2018 Capex Spend							
\$MM							
Site	2013	2014	2015	2016	2017	2018	Total
El Dorado, AR	\$102	\$204	\$449	\$144	\$15	\$12	\$925
Cherokee, AL	29	21	7	14	6	11	88
Pryor, OK	20	9	11	7	16	11	74
Other	-	-	3	-	-	-	3
<b>Total</b>	<b>\$151</b>	<b>\$234</b>	<b>\$470</b>	<b>\$165</b>	<b>\$35</b>	<b>\$34</b>	<b>\$1,087</b>

- **Completion of over \$1 billion in total capex spend, with lasting impact, made over the last 6 years**
  - Successful turnarounds and momentum at plants that have experienced historical unplanned downtime
  - Recent company-wide initiatives resulting in increased accountability at facilities to improve reliability
  - New El Dorado ammonia plant operating above nameplate capacity while implementing efficiency improvements
  - Replacement of urea reactor at Pryor ordered in 2018 and planned install in 2019; improved reliability and increased production/capacity
- **Minimal expansion capex requirements going forward, enabling management to focus on operational improvements and de-leveraging**

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## 4 Achieving Consistent Ammonia On-Stream Rates

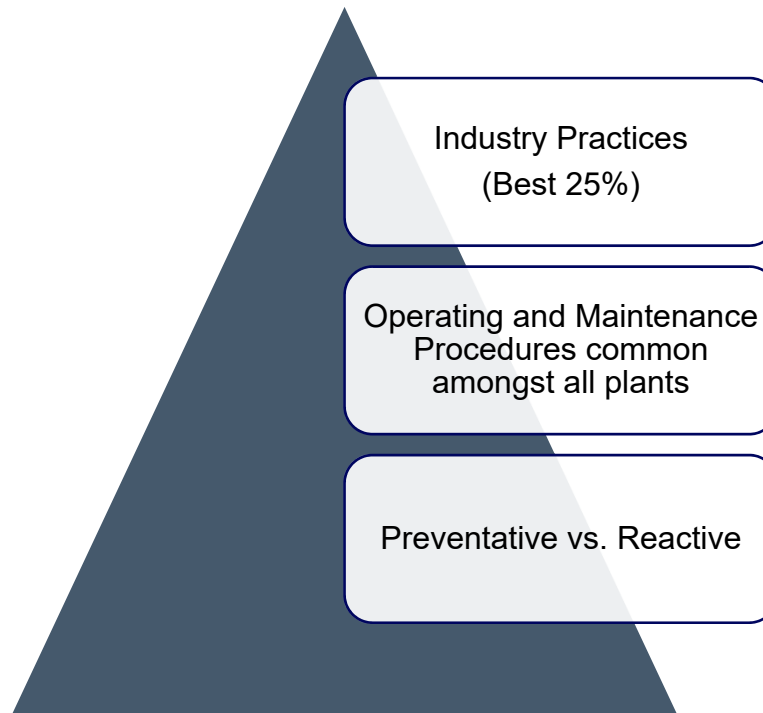


(1) Quarterly on-stream rates are a weighted average of all three plants.

## 4 Operations – Where we've been and where we are going



### Operating Philosophy





## 4 Operational Initiatives – Update



Enhancements to maintenance management system/work order processing



Review of critical pieces of equipment and related preventative maintenance programs



Gap analysis of operating and maintenance procedures



Shift to shift communications and shift change structure improvements (Q4 2019)



Leadership training (Q4 2019)



Upgrade of operating and maintenance procedures (1H 2020)



Improved training for operations and maintenance (1H 2020)

## 4 Business Improvement Initiatives



### Operations

- Revamp operator and maintenance training materials and training programs
- Review and upgrade operating and maintenance procedures
- Improvement in communications within operations and maintenance
- Shift change structure improvements
- Continued deployment of enhanced maintenance management system

### Commercial

- Continue to increase sales to utilize available production capacity
- Further broaden our customer base and replace lower margin business
- Position product to sell during peak season at higher prices
- Further develop specific product markets
- Tap into sales opportunities on downstream products not currently sold
- Explore additional guest plant opportunities

### Supply Chain

#### Procurement

- Continue to evaluate global supplier contracts to leverage collective buying power
- Standardize procurement processes across sites
- Continue to implement agile inventory replenishment capabilities thereby improving working capital

#### Logistics

- Build logistics partners to focus on relationships and efficiencies
- Centrally managed team for more coordinated efforts
- Proficiency in rail management systems and railcar fleet optimization



## Financial Overview

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# LSB Consolidated Financial Highlights

First Quarter 2019



(\$ In Millions, Except EPS)	Three Months Ended		
	March 31,		
	2019	2018	Change
<b>Net sales</b>	<b>\$ 94.2</b>	<b>\$100.5</b>	<b>\$ (6.4)</b>
<b>Gross profit</b>	<b>\$ 7.3</b>	<b>\$10.1</b>	<b>(\$2.8)</b>
% of net sales	7.8%	10.1%	-2.3%
<b>Selling, general and administrative expense</b>	<b>\$ 7.2</b>	<b>\$8.3</b>	<b>(\$1.1)</b>
% of net sales	7.7%	8.3%	-0.6%
<b>Operating income</b>	<b>\$ 0.1</b>	<b>\$1.9</b>	<b>(\$1.9)</b>
% of net sales	0.1%	1.9%	-1.8%
<b>Interest expense, net</b>	<b>11.0</b>	<b>9.3</b>	<b>1.7</b>
<b>Non-operating other expense (income), net</b>	<b>0.2</b>	<b>(0.9)</b>	<b>1.1</b>
<b>Loss from continuing operations before income taxes</b>	<b>\$ (11.1)</b>	<b>(\$6.5)</b>	<b>(\$4.7)</b>
<b>Provision (benefit) for income taxes</b>	<b>0.4</b>	<b>(0.9)</b>	<b>1.3</b>
<b>Net loss</b>	<b>\$ (11.5)</b>	<b>(\$5.6)</b>	<b>(\$5.9)</b>
% of net sales	-12.3%	-5.6%	-6.7%
<b>Diluted EPS</b>	<b>\$ (0.69)</b>	<b>\$ (0.49)</b>	<b>(\$0.20)</b>
<b>EBITDA <sup>(1)</sup></b>	<b>\$ 17.0</b>	<b>\$21.1</b>	<b>(\$4.1)</b>
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$ 18.1</b>	<b>\$23.1</b>	<b>(\$5.0)</b>

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

# Consolidated Annual EBITDA

## Illustrative Sensitivity Analysis (\$ In Millions)



*Potential for Significant Earnings Power at Optimal Operating Rates*

		Average Natural Gas Price Per MMBtu For A Year				
		\$2.50	\$3.00	\$3.50	\$4.00	\$4.50
Average Tampa Ammonia Price/MT For A Year	\$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:**

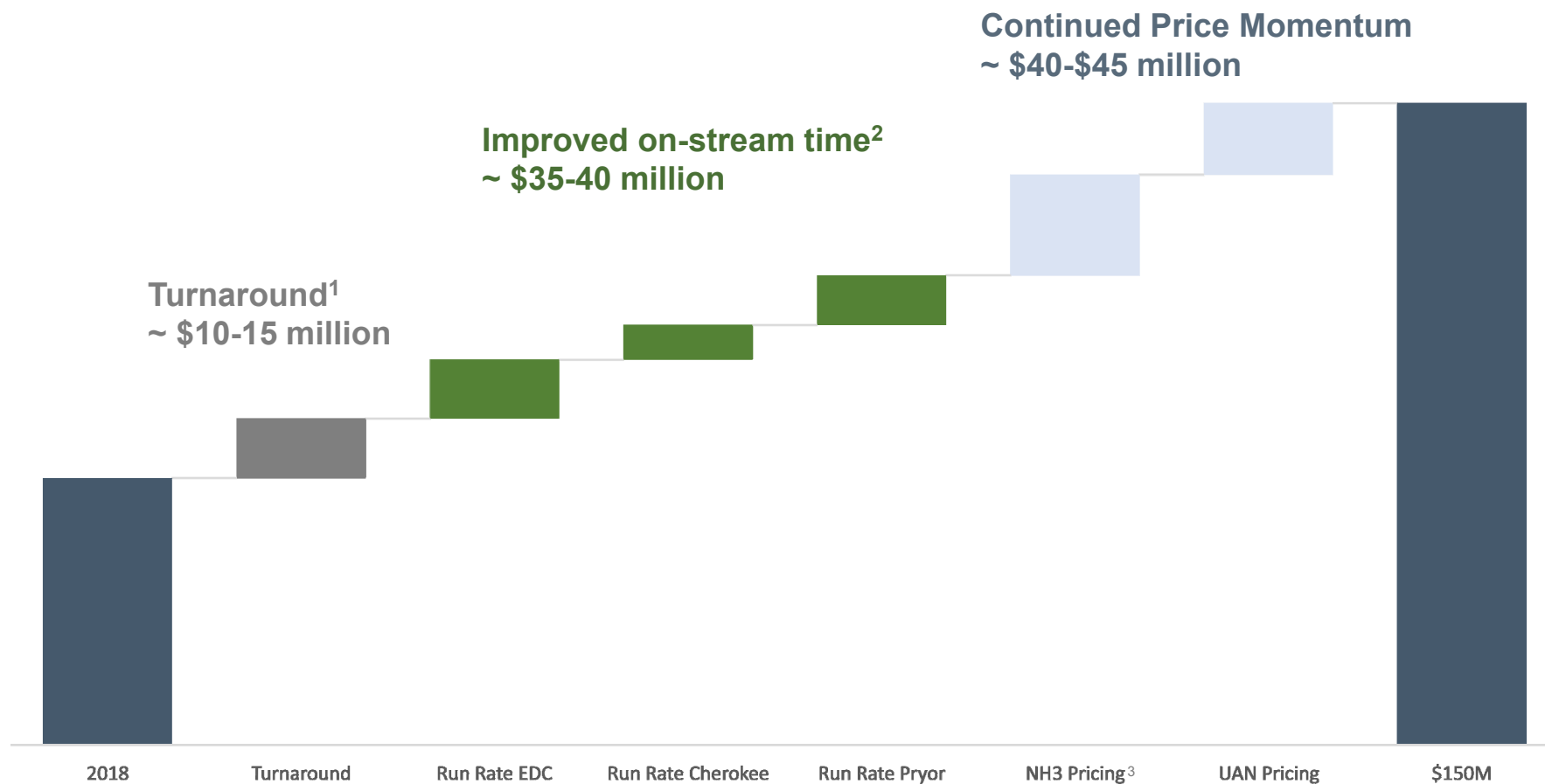
- Assumes no turnaround at any facility and related impact from lost production/sales and expenses. Note: Company is on a three-year turnaround cycle, which will include turnarounds in the current fiscal year.
- Tampa Ammonia price assumes average over the full year
- Average ammonia plant on-stream 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**



# Path to \$150M assuming annual average \$350/MT Tampa ammonia and \$3.00/mmbtu gas...

(\$ In Millions)



1. Represents actual turnaround expenses and impact of lost production/sales
2. Assumes ammonia on-stream rates of 97% at El Dorado, 95% at Cherokee, and 95% at Pryor
3. Represents direct ammonia sales and impact on industrial/mining sales

# Capital Structure

<b>\$ In Millions</b>	<b>3/31/19</b>
Cash	<b>\$ 21.7</b>
Senior Secured Notes	400.0
Working Capital Revolver (\$40.1 mm of availability at 3/31/19)	10.0
Other Debt	29.4
Unamortized Discount and Debt Issuance Costs	(14.2)
<b>Total Long-Term Debt, Including Current Portion, net</b>	<b>\$ 425.2</b>
Series E and F Redeemable Preferred Stock (\$219.3 million aggregate liquidation preference including accrued dividends)	<b>209.9</b>
<b>Total Stockholders' Equity</b>	<b>\$ 322.8</b>
<b>Total Liquidity (Cash plus ABL availability)</b>	<b>\$ 61.8</b>

## Key Information:

### Senior Secured Notes

- \$400 million at 9.625%
- Due May 2023

### Redeemable Preferred Stock

- \$219.3 million at 14%
- Callable at par
- First put date October 2023

### Working Capital Revolver

- \$75 million (Prime + 50 bps)
- Expires February 2024

# Strategy

## Short Term (next 18 months)

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

## Medium / Long Term (Thereafter)

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

# Key Investment Highlights



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- 3 Favorable long-term dynamics in Agricultural Business creates significant upside in margins
- 4 Operational improvements benefiting from over \$1 billion of investment and enhancement of operating and maintenance programs



## Appendix

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**INDUSTRIES**



# EBITDA Reconciliation

## LSB Consolidated (\$ In Millions)

	Three Months Ended March 31,	
	2019	2018
<b>Net income (loss)</b>	<b>(\$11.5)</b>	<b>(\$5.6)</b>
Plus:		
Interest expense	11.0	9.3
Depreciation, depletion and amortization	17.1	18.3
Provision (benefit) for income taxes	0.4	(0.9)
<b>EBITDA <sup>(1)</sup></b>	<b>\$17.0</b>	<b>\$21.1</b>
Stock-based compensation	0.6	1.4
Loss on disposal of assets	0.2	-
Fair market value adjustment on preferred stock embedded derivatives	0.2	(0.8)
Consulting costs associated with reliability and purchasing initiatives	0.1	1.1
Turnaround costs	0.0	0.3
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>\$18.1</b>	<b>\$23.1</b>

(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. 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 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.

# Gross Profit Reconciliation

<b><u>LSB Consolidated (\$ In Millions)</u></b>	Twelve Months Ended	Three Months Ended
	December 31,	March 31,
	2018	2019
<b>Net sales</b>		
Agricultural	\$187.1	\$46.8
Industrial and Mining	\$191.0	\$47.4
<b>Total net sales</b>	<b>\$378.2</b>	<b>\$94.2</b>
<b>Gross Profit</b>		
Agricultural <sup>(1)</sup>	21.4	6.5
Industrial and Mining <sup>(1)</sup>	74.4	17.7
<b>Adjusted gross profit by market <sup>(1)</sup></b>	<b>\$95.8</b>	<b>\$24.1</b>
Depreciation and amortization <sup>(2)</sup>	70.2	(16.8)
Turnaround expense	9.8	0.0
<b>Total gross profit</b>	<b>\$15.8</b>	<b>\$7.3</b>
<b>Gross Profit Margin</b>		
Agricultural <sup>(3)</sup>	11%	14%
Industrial and Mining <sup>(3)</sup>	39%	37%
<b>Adjusted gross profit by market <sup>(3)</sup></b>	<b>25%</b>	<b>26%</b>
<b>Total gross profit margin <sup>(3) (4)</sup></b>	<b>4%</b>	<b>8%</b>

(1) Represents a non-GAAP measure since the amount excludes depreciation, amortization, and Turnaround expenses.

(2) Represents amount classified as cost of sales.

(3) As a percentage of the respective net sales.

(4) In 2018, we modified market reporting to reflect gross profit margin. 2017 is calculated based on EBTIDA margin. Refer to the previous slide for 2017 reconciliation of end market operating loss to adjusted EBITDA.



# 2017 EBITDA Reconciliation

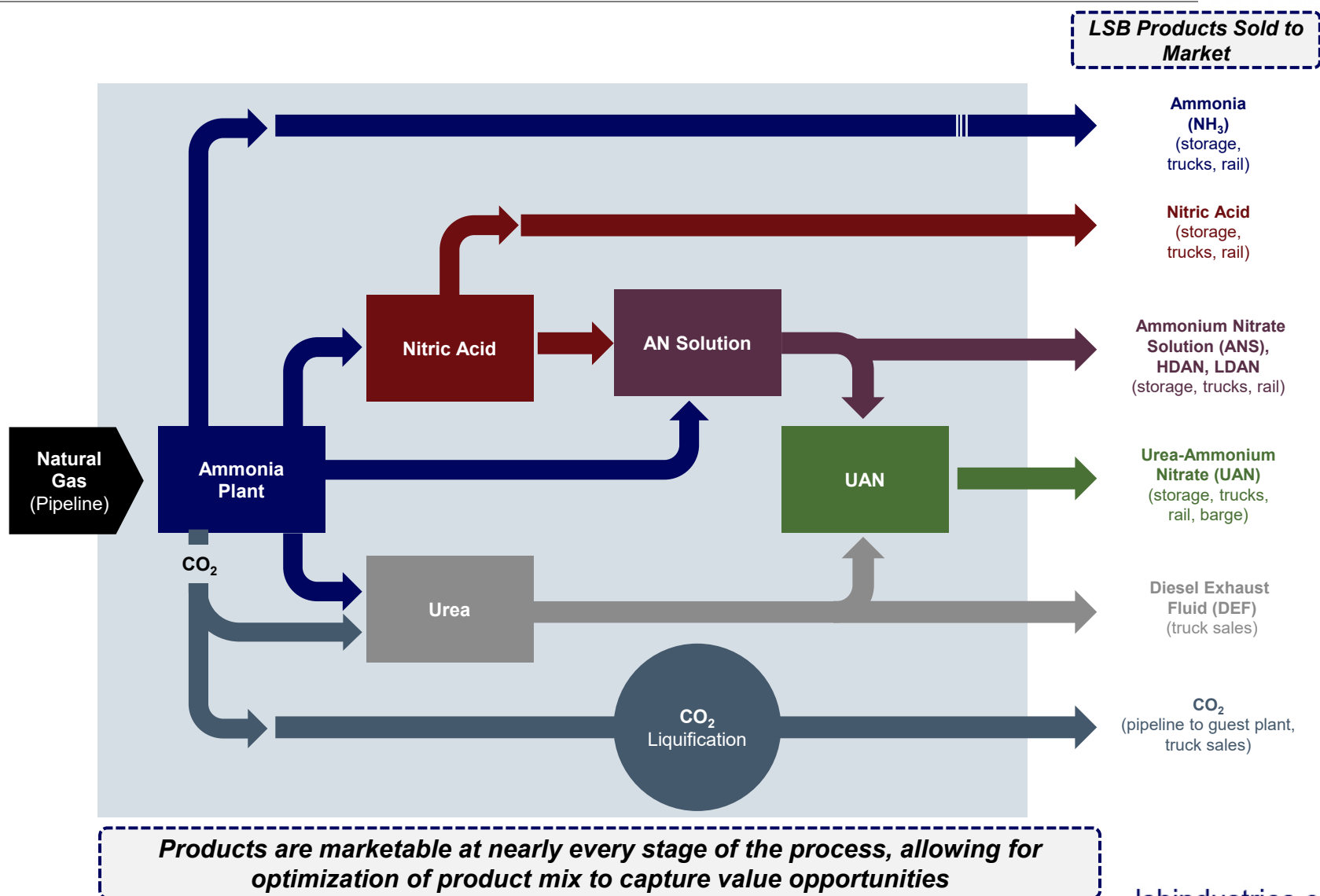
\$ in Millions	Agricultural	Industrial and Mining	Turnaround	Corporate SG&A and Other	Consolidated (Excl. Summit/Zena)	Summit/Zena	Consolidated (As Reported)
<b>Reported Net Sales</b>	<b>\$ 184.1</b>	<b>\$ 234.8</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 418.9</b>	<b>\$ 8.6</b>	<b>\$ 427.5</b>
Impact of ASC 606 - Industrial	-	(65.4)	-	-	(65.4)	-	(65.4)
Revenue from businesses sold in 2017	-	-	-	-	-	(8.6)	(8.6)
<b>Total Adjusted Net Sales <sup>(1)</sup></b>	<b>\$ 184.1</b>	<b>\$ 169.4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 353.5</b>	<b>\$ -</b>	<b>\$ 353.5</b>
<b>Operating loss</b>	<b>\$ (27.1)</b>	<b>\$ 28.3</b>	<b>\$ (1.3)</b>	<b>\$ (30.8)</b>	<b>\$ (31.0)</b>	<b>\$ (3.1)</b>	<b>\$ (34.1)</b>
Non operating other income	-	-	-	0.3	0.3	-	0.3
Depreciation	32.5	33.2	-	2.6	68.3	0.9	69.1
<b>Reported EBITDA <sup>(2)</sup></b>	<b>\$ 5.4</b>	<b>\$ 61.5</b>	<b>\$ (1.3)</b>	<b>\$ (28.0)</b>	<b>\$ 37.6</b>	<b>\$ (2.2)</b>	<b>\$ 35.4</b>
<b>EBITDA Adjustments Reported</b>							
Stock-Based Compensation	-	-	-	5.2	5.2	-	5.2
Derecognition of Death Benefit Accrual	-	-	-	(1.4)	(1.4)	-	(1.4)
Loss (gain) on Sale of Other Property and Equipment	-	-	-	2.2	2.2	4.8	7.0
Fair Market Value Adjustment on Preferred Stock Embedded Derivatives	-	-	-	0.1	0.1	-	0.1
<b>Adjusted EBITDA <sup>(3)</sup></b>	<b>\$ 5.4</b>	<b>\$ 61.5</b>	<b>\$ (1.3)</b>	<b>\$ (21.9)</b>	<b>\$ 43.7</b>	<b>\$ 2.6</b>	<b>\$ 46.2</b>
<b>Adjusted EBITDA margins on adjusted net sales</b>	<b>3%</b>	<b>36%</b>					

(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 2017 consistent with accounting treatment used for the same period in 2018. ASC 606 had no net impact on operating income. Additionally, net sales is adjusted to remove revenue associated with businesses sold in 2017.

(2) 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.

(3) 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. 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 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.

# LSB Simplified Manufacturing Process Overview



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