

Q2 2021 Earnings Presentation

July 29, 2021



Q2 2021 Overview

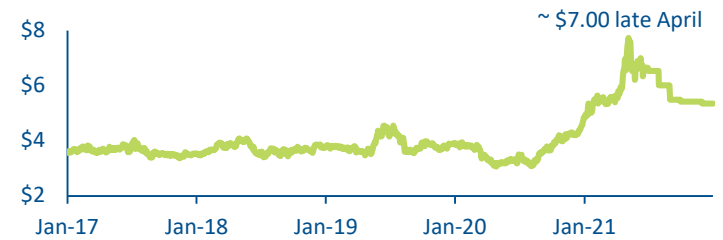
Executing on Our Strategy and Improving End-Market Fundamentals

- Net sales up 34% year over year driven by higher selling prices and continued strong plant operations
- Record Adjusted EBITDA of \$46.0M - an increase of 58% year over year
- Robust market conditions and solid operating performance expected to continue for remainder of the year and into 2022
- Subsequent to end of Q2, signed an agreement to exchange outstanding preferred stock into shares of common in order to provide Company with greater financial flexibility and unlock growth opportunities (contingent upon shareholder approval)

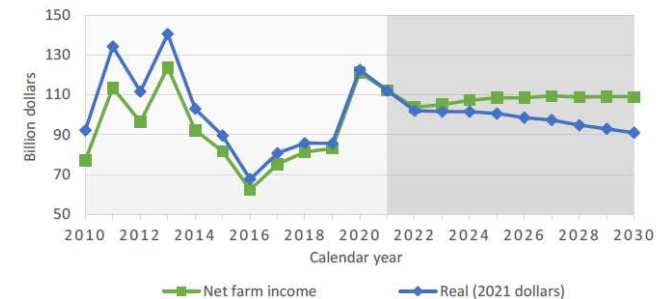
Agricultural Market Overview

- Corn is currently trading around \$5.60/bushel and is expected to remain at elevated levels throughout the year
- Robust pricing for nitrogen products is expected to continue in 2H21
- Many factors point to strong 2H21 and 2022:
 - 2020 farmer income was 2nd highest ever and expected to be strong in 2021
 - Significant increase in Chinese imports of all agricultural commodities
 - Drought conditions in South America and Western US expected to impact yields
 - Significant plant outages globally have limited supply
 - 92.7 million acres of corn expected to be planted in U.S. in 2021, up from ~91 million in 2020
 - Tampa ammonia price for August was settled at \$625/mt, the highest level since Dec 2014 as global prices continue to increase
 - UAN fill prices >\$300/t are significantly above recent years due to strong demand and lower imports

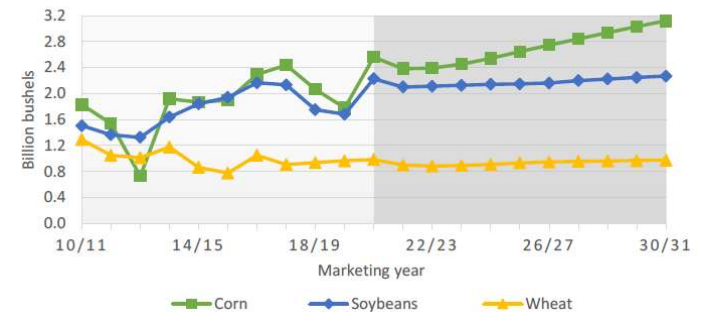
5 Year Corn Prices



Net farm income rose with payments in 2020



China demand increases U.S. exports in 2020/21



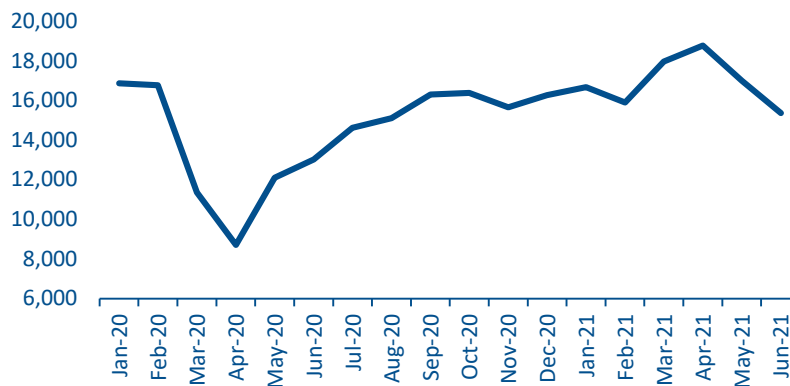
Sources: Yahoo! Finance, Food & Agricultural Policy Research Institute

Strong Industrial and Mining Fundamentals

Industrial

- According to the U.S. Department of Housing and Urban Development, new privately-owned housing unit starts totaled 1.572 million in May, showing continued elevated levels amidst a US housing shortage
- Though still 11% higher than June 2020, seasonally adjusted annual rate (SAAR) for light vehicle sales have begun to drop because of lower inventory and higher sales prices, both resulting from inflationary pressures

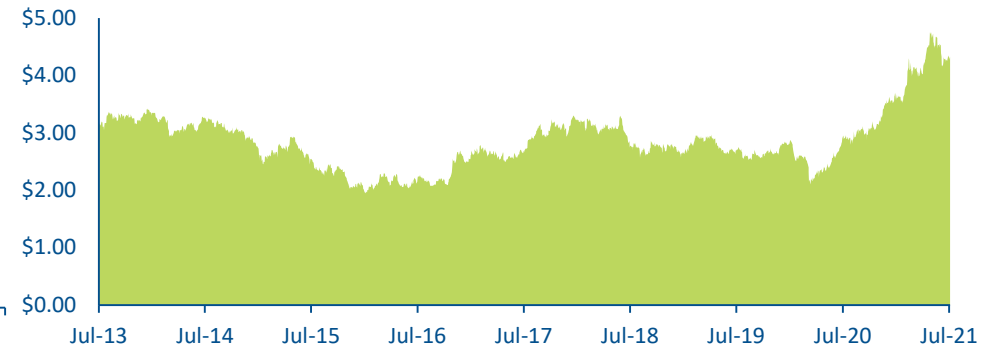
US Light Vehicle Sales - SAAR (thousands)



Mining

- Copper prices rising, reaching \$4.72 per pound in May, its highest price in history, and has continued to trade over \$4.00 per pound in July. This increase is driven by demand from EV companies
- Quarry and construction business returning, with aggregates for residential construction a large driver.
- Diversification away from coal continues to be a focus (33% of LSB sales mining volumes in 2016 vs ~ 1% of LSB mining sales volumes in 2020)

Historical Copper Prices



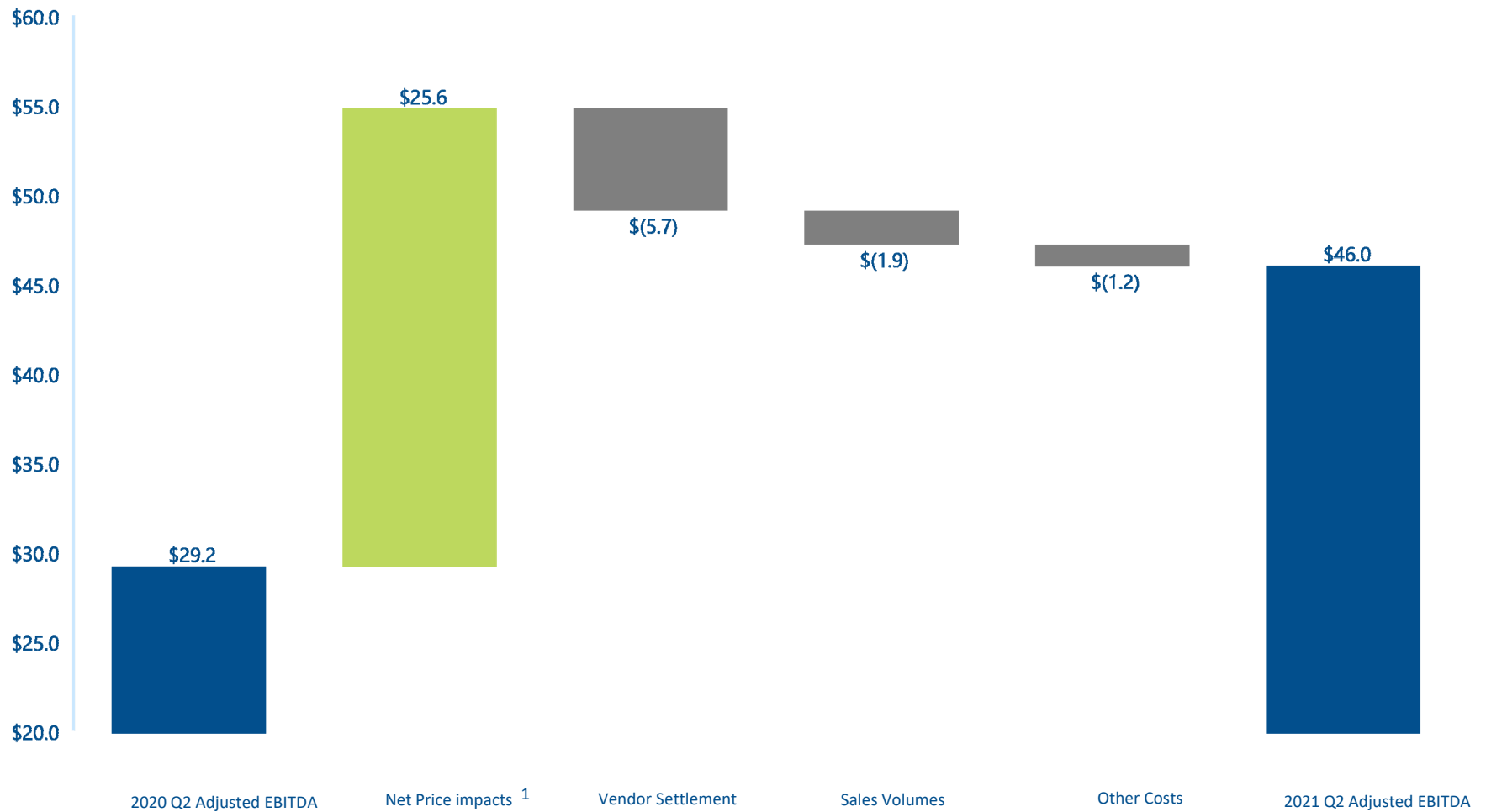
LSB Consolidated Financial Highlights

\$ in millions, except per share amounts

	<u>2Q 2021</u>	<u>2Q 2020</u>	
Sales	\$140.7	\$105.0	<ul style="list-style-type: none"> Sales up 34%: Driven by higher pricing
Adjusted Gross Profit ¹	\$52.7	\$30.3	<ul style="list-style-type: none"> Higher selling prices partially offset by lower sales volumes and higher gas costs
Operating Income	\$26.5	\$10.7	<ul style="list-style-type: none"> Operating profit increased in line with previously outlined factors that improved adjusted gross profit
EBITDA ²	\$43.0	\$28.1	<ul style="list-style-type: none"> EBITDA increased in line with previously outlined factors that improved adjusted gross profit
Adjusted EBITDA ²	\$46.0	\$29.2	<ul style="list-style-type: none"> Primarily favorable pricing, see waterfall chart on subsequent slide for breakout

Second Quarter – 2021 vs. 2020

\$ in millions (amounts are approximate)



(1) Represents \$34.3M higher selling prices, offset by \$8.7M in higher gas and sulfur prices.

Preferred Stock Exchange Transaction

- LSB Industries, Inc. (“LSB” or the “Company”) is seeking to exchange its existing preferred stock held by Eldridge Industries and its affiliates (“collectively Eldridge”) into common stock, with Eldridge, becoming a majority shareholder of LSB with ~ 60% ownership
- As a part of the transaction, existing stockholders will receive meaningful economic consideration, in the form of a special common stock dividend of 0.30 shares for every 1 share owned. The exchange consideration payable to Eldridge will be reduced by the amount of the special common stock dividend to be received by Eldridge
- This transaction is expected to facilitate the refinancing of LSB’s senior secured notes on more attractive terms, placing the Company more in line with its public company peers and lowering the Company’s overall cost of capital and leverage profile
- Lower cost of capital and an improved balance sheet will allow the Company to pursue organic growth opportunities, as well as, strategic acquisitions, positioning LSB management to build stockholder value
- The Transaction is expected to close in September 2021

Key Transaction Rationale

- Eliminates the future financial impact of the accrued compounding preferred stock dividend of 14.5% (increasing to 16.0% in April 2023) which has been accruing since the preferred stock was issued in December 2015
- The Special Committee, Board of Directors and LSB management believe this transaction should lead to a ratings upgrade, and expect that this will allow the Company to refinance its senior secured notes at a lower interest rate and on improved terms, which would reduce its annual cash interest expense and overall cost of capital
- Improves the Company's financial flexibility at an opportune time in the business cycle amidst rising nitrogen chemical prices and strong agricultural and industrial demand
- Positions LSB to pursue organic growth initiatives, particularly in green ammonia and clean energy, along with accelerating the execution of key margin enhancement projects
- Enables the Company to pursue accretive M&A opportunities
- Preserves the Company's significant tax attributes, including \$620 million of net federal operating losses, thereby protecting potentially significant future cash savings and stockholder value
- Illustrates Eldridge's confidence in LSB Management's ability to create stockholder value going forward
- Provides LSB with potential access to capital to fund future accretive opportunities

Pro-Forma Capitalization

Pro Forma Capitalization⁽¹⁾

(\$ M)	As of 6/30/21	Adjustments	Pro Forma
Cash , Cash Equivalents & Restricted Cash	\$18	(\$9)	\$9
9.625% Senior Secured Notes due 2023	\$435	-	\$435
Other Debt	\$42	-	\$42
Total Debt	\$477	-	\$477
Preferred Stock	\$300	(\$300)	-
Market Capitalization ⁽²⁾	\$188	\$351 ⁽³⁾⁽⁴⁾	\$539 ⁽³⁾⁽⁴⁾
Total Capitalization	\$965	-	\$1,016
TTM Adj. EBITDA	\$84		\$84
Total Debt + Preferred / TTM Adj. EBITDA	9.3x		5.7x
Net Debt + Preferred / TTM Adj. EBITDA	9.0x		5.6x

Commitment to improve TTM adjusted EBITDA to reduce debt leverage

Note: Figures may not sum correctly due to rounding.

1) Excludes Series B & D preferred stock of \$3.0mm.

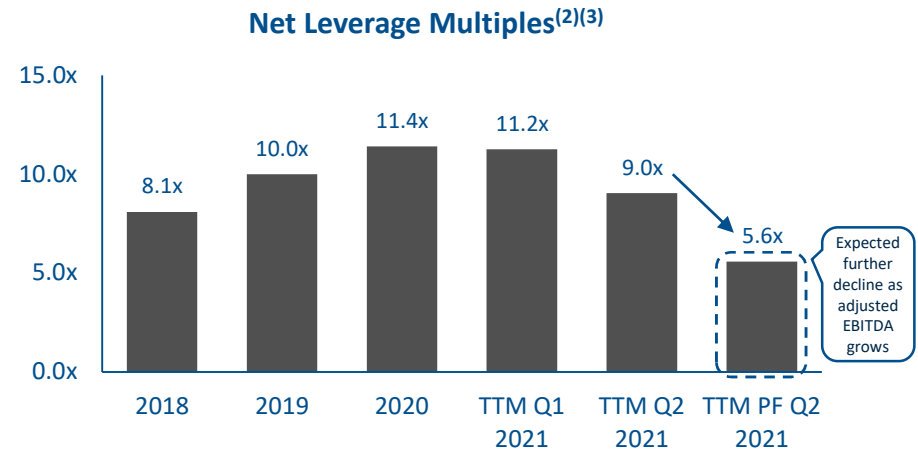
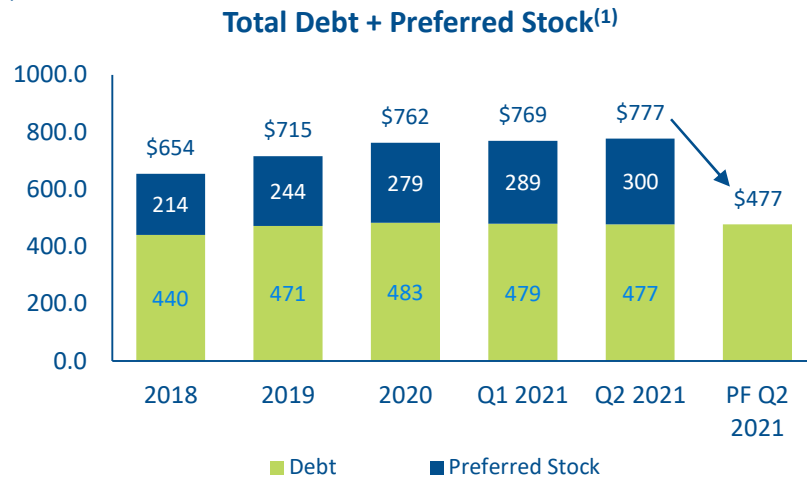
2) Market capitalization calculated based on 30-day VWAP of \$6.16 as of 7/16/21, and 30.6 million shares outstanding, including restricted stock.

3) Includes \$57 million increase in shareholder equity as a result of special common stock dividend to existing stockholders of 0.30 shares for every one share owned.

4) Based on exchange of Preferred Stock at liquidation preference of \$301.7 million as of 7/19/2021.

Reducing Leverage Profile with Target Leverage of 4x or Less

\$ Millions



- The balance sheet is immediately simplified with the removal of the preferred stock, and leverage multiples drop to 5.6x⁽²⁾⁽³⁾ (PF Q2 2021)
- LSB is committed to continue strengthening its balance sheet to bolster its credit metrics and reduce its debt leverage as adjusted EBITDA improves through the balance of 2021
- No cash consideration paid in the conversion of the preferred stock, avoiding the burden of additional debt and allowing leverage to be accessed for other strategic initiatives

Blue Green Ammonia Strategy

As an existing ammonia producer, LSB is well positioned to lever its assets and knowledge to capitalize on potential green ammonia opportunities.

Blue Ammonia

- CO2 emissions from reforming or gasification processes used in ammonia production are captured and stored
- Creates opportunity to sell low carbon ammonia to agricultural, industrial and mining customers at premium pricing

Green Ammonia

- Produced using renewable feedstock, specifically hydrogen from water electrolysis and nitrogen separated from the air, rather than natural gas or coal, resulting in a zero CO2 emission process.
- Ammonia's potential as an energy carrier raises demand for ammonia to multiple billion tons per year and provides premium pricing

Current timeline for evaluation of projects at LSB facilities:

- Q1'22 – Complete Feasibility Studies
- Q2'22 – Project proposals to and approval from LSB Board of Directors
- Q2/Q3'22 – Commence projects

Next 12 Months

- Receive approval from shareholders to consummate the exchange of the Eldridge preferred stock into LSB common stock
- Take advantage of issuer friendly credit market environment to refinance the Company's existing debt
- Continue to improve operations within a favorable fertilizer market backdrop and the recovery of industrial demand exiting the pandemic
- Deliver improved financial results that will continue to bolster the Company's credit metrics and achieve target leverage of less than 4x
- Seek new projects to drive further improvement in operating performance and expand production, storage, and logistic capabilities
- Progress on Blue/Green Ammonia Strategy
- Pursue accretive M&A opportunities





Appendix

EBITDA Reconciliation

LSB Consolidated (\$ In Thousands)	Three Months Ended	
	June 30,	
	2021	2020
Net income (loss)	\$23,670	(\$365)
Plus:		
Interest expense	12,290	12,476
Gain on extinguishment of debt	(10,000)	-
Depreciation and amortization	17,277	17,295
Provision (benefit) for income taxes	(248)	(1,299)
EBITDA ⁽¹⁾	\$42,989	\$28,107
Stock-based compensation	1,063	685
Noncash loss (gain) on natural gas contracts	-	(396)
Legal fees (Leidos)	441	955
Loss (gain) on disposal of assets	91	(54)
Fair market value adjustment on preferred stock embedded derivatives	716	(120)
Turnaround costs	707	11
Adjusted EBITDA ⁽²⁾	\$46,007	\$29,188

(1) EBITDA is defined as net income (loss) plus interest expense, plus loss on extinguishment of debt, plus depreciation and amortization (D&A) (which includes D&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 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.

EBITDA Reconciliation TTM

LSB Consolidated (\$ In Millions)	TTM	TTM	Twelve Months Ended		
	June 30, 2021	Mar 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Net loss	(\$31.7)	(\$55.7)	(\$61.9)	(\$63.4)	(\$72.2)
Plus:					
Interest expense	49.8	50.0	51.1	46.4	43.1
Loss/(gain) on extinguishment of debt	(10.0)	-	-	-	6.0
Depreciation, depletion and amortization	70.0	70.0	70.8	69.6	72.6
Provision (benefit) for income taxes	(3.3)	(4.4)	(4.7)	(20.9)	1.7
EBITDA (1)	\$74.8	\$59.9	\$55.3	\$31.7	\$51.2
Stock-based compensation	2.4	2.0	1.8	2.2	8.3
Noncash loss (gain) on natural gas contracts	(0.1)	(0.5)	1.2		
Severance costs	-	-	-	0.6	2.6
Legal Fees (Leidos)	2.8	3.3	5.7	9.6	4.8
Loss (gain) on disposal of assets and other	1.4	1.2	0.9	11.2	(1.6)
Fair market value adjustment on preferred stock embedded derivatives	1.9	1.0	(0.1)	(0.6)	(1.2)
Consulting costs associated with reliability and purchasing initiatives	(0.0)	(0.0)	0.6	1.4	3.8
Turnaround costs	0.9	0.2	0.1	13.2	9.7
Adjusted EBITDA (2)	\$84.1	\$67.1	\$65.5	\$69.3	\$77.7

(1) EBITDA is defined as net income (loss) plus interest expense, plus loss on extinguishment of debt, plus depreciation and amortization (D&A) (which includes D&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.

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Gross Profit Reconciliation

LSB Consolidated (\$ In Thousands)	Three Months Ended		Twelve Months Ended		
	June 30,		December 31,		
	2021	2020	2020	2019	2018
Net sales					
Agricultural	\$66,508	\$64,997	\$180,036	\$187,641	\$187,164
Industrial and Mining	74,188	40,036	171,280	177,429	190,996
Total net sales	\$140,696	\$105,033	\$351,316	\$365,070	\$378,160
Adjusted gross profit ⁽¹⁾	\$52,656	\$30,328	80,960	86,458	90,868
Depreciation and amortization ⁽²⁾	(16,941)	(16,960)	(69,500)	(68,263)	(70,184)
Turnaround expense	(707)	(11)	(76)	(13,210)	(9,768)
Settlements	-	5,664	5,664	-	4,919
Gross profit	\$35,008	\$19,021	\$17,048	\$4,985	\$15,835
Adjusted gross profit margin ⁽³⁾	37%	29%	23%	24%	24%
Gross profit margin ⁽³⁾	25%	18%	5%	1%	4%

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

(2) Represents amount classified as cost of sales.

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

EBITDA Sensitivity Grid at \$3.00/mmbtu Gas

\$ in millions

Significant Earnings Power at Optimal Operating Rates

		Average UAN Price/ST For A Year				
		\$ 210	\$ 190	\$ 170	\$ 150	\$ 130
Average Tampa Ammonia Price/MT For A Year	\$ 400	\$ 180	\$ 170	\$ 160	\$ 150	\$ 140
	\$ 350	\$ 160	\$ 150	\$ 140	\$ 130	\$ 120
	\$ 300	\$ 140	\$ 130	\$ 120	\$ 110	\$ 100
	\$ 250	\$ 120	\$ 110	\$ 100	\$ 90	\$ 80
	\$ 200	\$ 100	\$ 90	\$ 80	\$ 70	\$ 60

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
- Average ammonia plant on-stream rate of 97%, 95% and 95% at El Dorado, Cherokee and Pryor, respectively (excluding turnaround)
- Every \$0.10 change in gas is approximately \$2.0-\$2.5 million (depending on product mix)

Actual results may vary based on a number of factors, including many that are beyond the control of the Company. For illustration purpose only.

Forward-Looking Statements

Statements in this presentation that are not historical are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance including the effects of the COVID-19 pandemic and anticipated performance based on our growth and other strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or actual achievements to differ materially from the results, level of activity, performance or anticipated achievements expressed or implied by the forward-looking statements. Significant risks and uncertainties may relate to, but are not limited to, business and market disruptions related to the COVID-19 pandemic, market conditions and price volatility for our products and feedstocks, as well as global and regional economic downturns, including as a result of the COVID-19 pandemic, that adversely affect the demand for our end-use products; disruptions in production at our manufacturing facilities; and other financial, economic, competitive, environmental, political, legal and regulatory factors. These and other risk factors are discussed in the Company's filings with the Securities and Exchange Commission (SEC).

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Unless otherwise required by applicable laws, we undertake no obligation to update or revise any forward-looking statements, whether because of new information or future developments.

Safe Harbor Statement

No Offer or Solicitation

This presentation is not intended to and shall not constitute an offer to buy or sell or the solicitation of an offer to buy or sell any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made, except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended, or an exemption from the registration requirements thereof.

Additional Information about the Exchange Transaction and Where to Find It

In connection with the proposed transaction, LSB intends to file with the SEC a proxy statement for the special meeting of LSB stockholders and may also file other relevant documents with the SEC regarding the proposed transaction. This communication is not a substitute for the proxy statement or any other document that LSB may file with the SEC. The definitive proxy statement (if and when available) will be mailed to LSB stockholders. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS THAT MAY BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT LSB AND THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of the proxy statement (if and when available) and other documents containing important information about LSB and the proposed transaction, once such documents are filed with the SEC through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by LSB may be obtained free of charge on LSB's website at www.lsbindustries.com or by contacting Michael Foster, General Counsel and Secretary by email at mfoster@lsbindustries.com or by phone at 405-510-3596

Participants in the Solicitation

LSB and certain of its directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information about the directors and executive officers of LSB, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in LSB's proxy statement for its 2021 Annual Meeting of Stockholders, which was filed with the SEC on April 19, 2021, and LSB's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which was filed with the SEC on February 25, 2021. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials to be filed with the SEC regarding the proposed transaction when such materials become available. Investors should read the proxy statement carefully when it becomes available before making any voting or investment decisions. You may obtain free copies of these documents from LSB using the sources indicated above.