LSB INDUSTRIES

Fourth Quarter 2018 Update

February 27, 2019

Agenda

Overview

- Mark Behrman, President and Chief Executive Officer

Operations Review

- John Diesch, Executive Vice President, Chemical Manufacturing

Financial Review

- Cheryl Maguire, Senior Vice President and Chief Financial Officer

Q&A

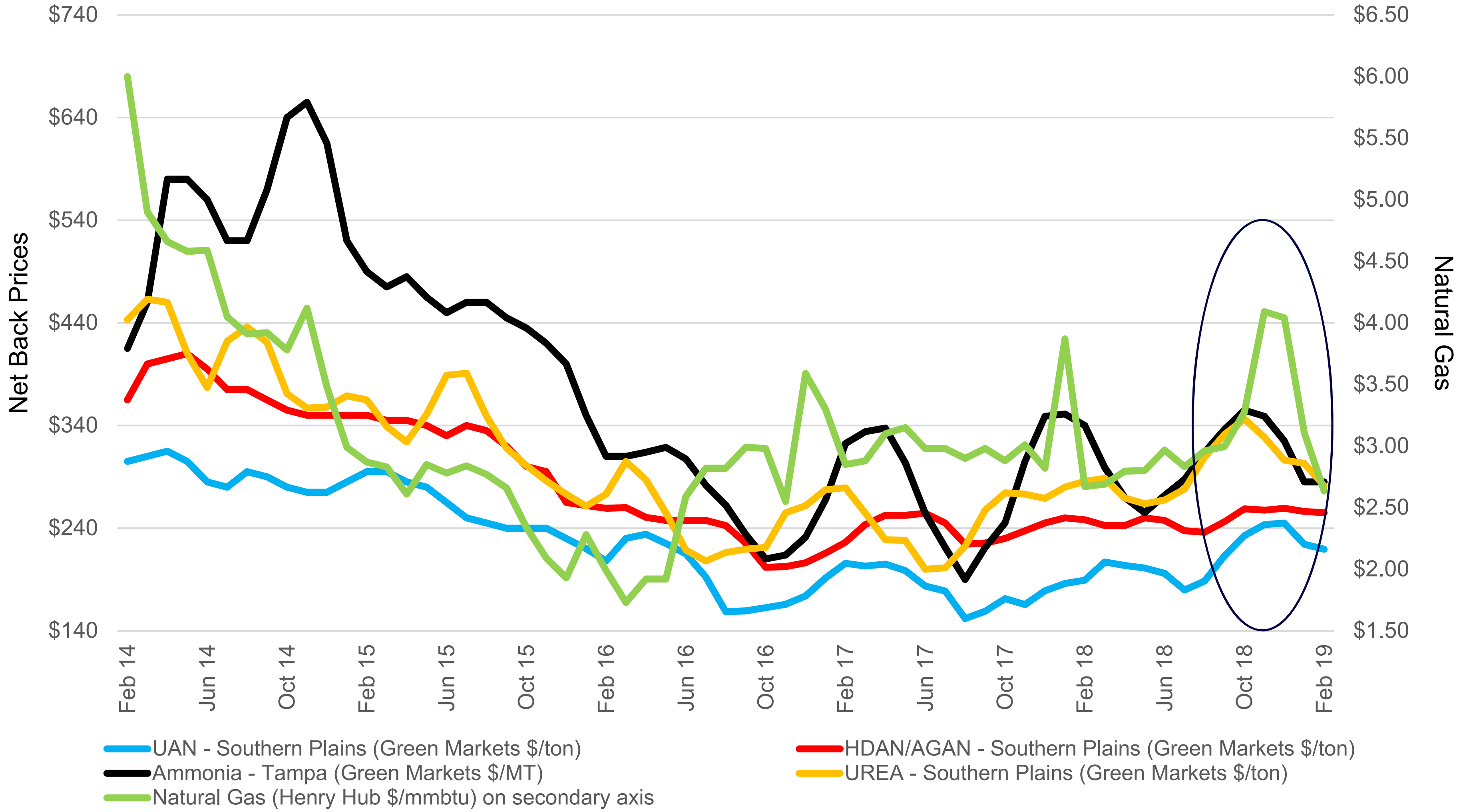
Forward-Looking Statements

- 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 2019; 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.

Fourth Quarter 2018 - Highlights

- Improved Operating Performance
  - Significant year over year improvement in Environmental, Health, and Safety performance
  - Ammonia on-stream rates averaged approximately 96% across all three facilities
- Improved financial performance
  - Sales improved 31% year over year
  - Adjusted EBITDA improved over $22 million year over year
- Continued improvement in selling price environment with substantial year over year increases for all of the agricultural products we sell
- Gas costs hit highs above $4.50/mmbtu in the quarter which negatively impacted EBITDA
- Inordinately bad weather led to poor overall fall ammonia application season and weighed on financial results

Chemical Commodities Feedstock & End Products 5-year Price Trend



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Operational Review

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Fourth Quarter 2018 Operational Review

El Dorado

- Ammonia plant on-stream rate of 98%
- Planning short turnaround in August for equipment and vessel inspections along with two catalyst changes
- Next turnaround will be in 2022
- Completed initial engineering for HDAN capacity increase and reliability improvements
- In detailed engineering to replace sulfuric acid converter; schedule is to have new converter in place by the end of 2019

Pryor

- Ammonia plant on-stream rate of 97%
- Planning for major summer turnaround with catalyst changes and reliability upgrades
- New urea reactor has been set; final tie-ins will be made in summer turnaround along with electrical and control system upgrades to the urea plant
- Rebuilt nitric acid converters to improve reliability
- Installed new gas fired boiler

Cherokee

- Ammonia on-stream rate of 93%
- Slightly below historical on-stream rate of 95% due to minor issues coming out of turnaround
- Focus on improving reliability of urea plant

Baytown

- Nitric Acid Plant on-stream rate of 100%
- Successful completed a major turnaround with boiler replacement
- Plant operating at full rates
- Engineering in process for additional upgrades to improve capacity and reliability

ROI Phase 2 underway to improve Operating Procedures and Training Programs

Operational Initiatives - Update

- [x] Enhancements to maintenance management system/work order processing
- [x] Review of critical pieces of equipment and related preventative maintenance programs
- [x] Gap analysis of operating and maintenance procedures
- [ ] Upgrade of operating and maintenance procedures
- [ ] Improved training for operations and maintenance
- [ ] Shift to shift communications and shift change structure improvements
- [ ] Leadership training

Financial Review

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LSB Consolidated Financial Highlights

Fourth Quarter 2018

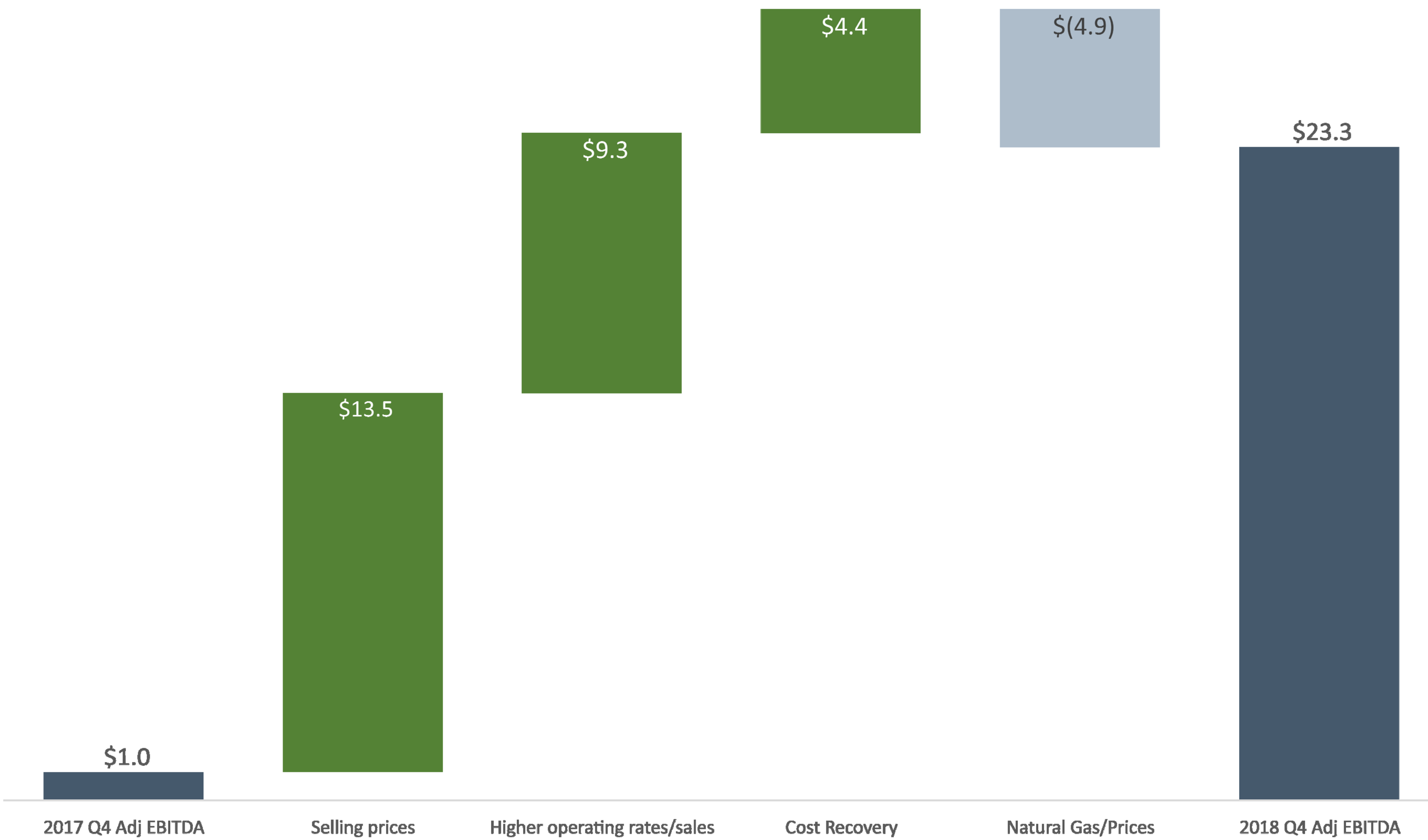
($ In Millions, Except EPS)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Change	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017	Change
Net sales	$ 94.7	$ 88.9	$ 5.8	$ 378.2	$ 427.5	$ (49.3)
Adjusted net sales (1)	$ 94.7	$ 72.3	$ 22.5	$ 378.2	$ 353.6	$ 24.6
Gross profit (loss)	$ 12.4	$ (10.2)	$ 22.6	$ 15.8	$ 5.5	$ 10.3
% of adjusted net sales	*13.1%*	*-14.1%*	*27.2%*	*4.2%*	*1.6%*	*2.6%*
Selling, general and administrative expense	$ 15.0	$ 8.2	$ 6.8	$ 40.8	$ 35.0	$ 5.8
% of adjusted net sales	*15.9%*	*11.3%*	*4.6%*	*10.8%*	*9.9%*	*0.9%*
Operating income (loss)	$ (2.5)	$ (20.8)	$ 18.3	$ (23.0)	$ (34.1)	$ 11.1
% of adjusted net sales	*-2.6%*	*-28.7%*	*26.1%*	*-6.1%*	*-9.6%*	*3.5%*
Interest expense, net	11.1	9.3	1.8	43.1	37.3	5.8
Loss on extinguishment of debt	-	-	-	6.0	-	6.0
Non-operating other expense (income), net	(1.3)	0.1	(1.4)	(1.6)	(0.3)	(1.3)
Loss from continuing operations before income taxes	$ (12.3)	$ (30.2)	$ 17.9	$ (70.5)	$ (71.1)	$ 0.6
Provision (benefit) for income taxes	$ 0.8	(30.0)	30.7	1.7	(40.8)	42.5
Income from discontinued operations, net of taxes	-	1.1	(1.1)	-	1.1	(1.1)
Net income (loss)	$ (13.0)	$ 0.9	$ (13.9)	$ (72.2)	$ (29.2)	$ (43.0)
% of adjusted net sales	*-13.8%*	*1.2%*	*-15.0%*	*-19.1%*	*-8.3%*	*-10.8%*
Diluted EPS (2)	$ (0.75)	$ (0.30)	$ (0.45)	$ (3.74)	$ (2.22)	$ (1.52)
EBITDA (3)	$ 16.1	$ (3.6)	$ 19.7	$ 51.2	$ 35.4	$ 15.8
Adjusted EBITDA (3)	$ 23.2	$ 0.9	$ 22.3	$ 63.1	$ 46.8	$ 16.3
Adjusted EBITDA excluding businesses sold in 2017 (3)	$ 23.2	$ 0.9	$ 22.3	$ 63.1	$ 44.3	$ 18.9
Adjusted EBITDA excluding Turnaround costs (3)	$ 23.3	$ 1.0	$ 22.3	$ 72.9	$ 45.6	$ 27.3

(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 fourth quarter and twelve months of 2017, net sales for these products would have been reduced by approximately $16.6 million and $65.4 million, respectively. ASC 606 had no net impact on operating income. Additionally, for the twelve month period ending December 31, 2017, net sales includes approximately $8.6 million of revenue associated with business sold in Q2 and Q4 of 2017.

(2) Excludes discontinued operations.

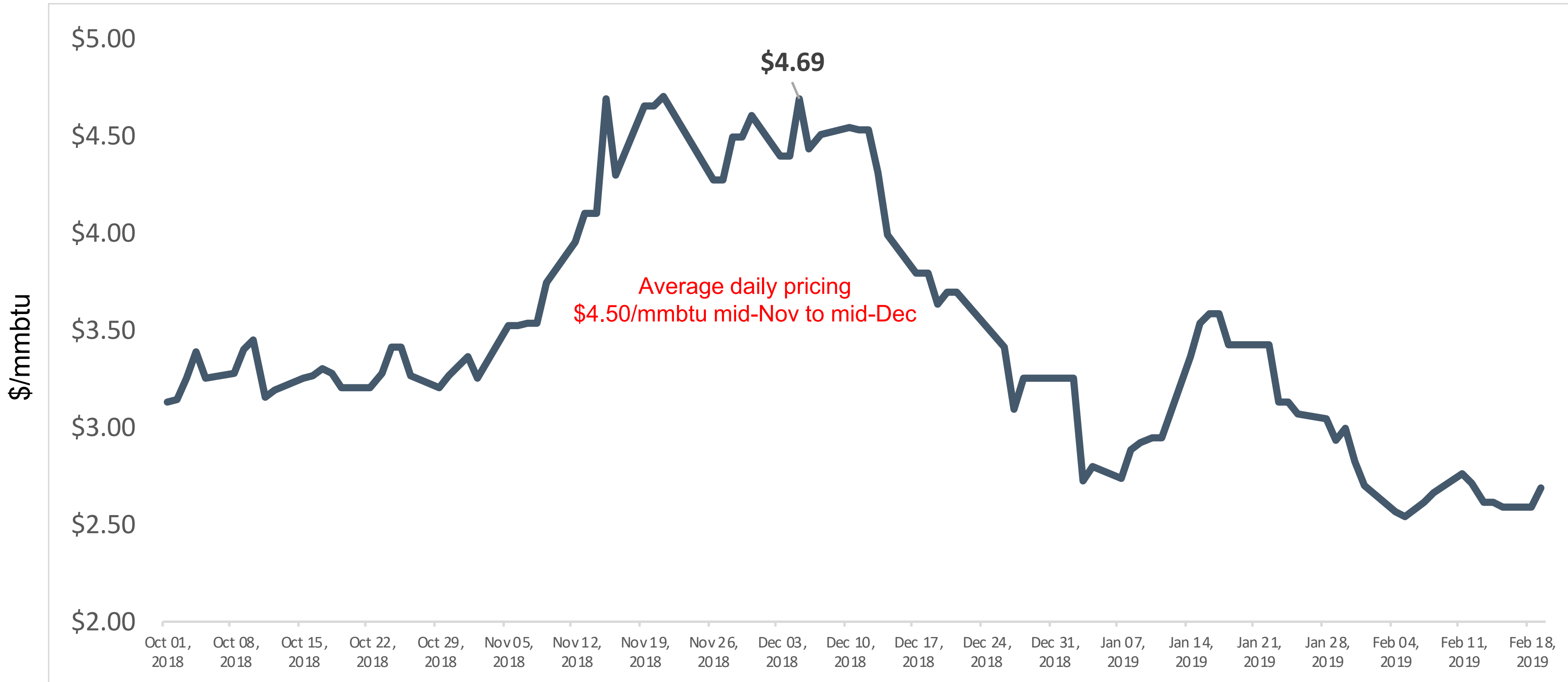
(3) Refer to Appendix for reconciliation of EBITDA and Adjusted EBITDA.

Fourth Quarter – 2018 vs. 2017
($ In Millions)



Natural Gas Pricing

Henry Hub Natural Gas Spot Prices



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Illustrative EBITDA Impact Associated with Changes in Product & Feedstock Pricing

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(Based on 2019 Volumes)

	Selling Price Comparison		Change in Selling Price Impact on EBITDA		
	Q1 2018 Actual Average Selling Prices	Q1 2019 Current/Expected Average Selling Prices	Change		Annual EBITDA Impact
UAN[1]	$139 / ST	$200 / ST	$10.00	+/-	$4.8mm
HDAN[1]	$220 / ST	$220 / ST	$10.00	+/-	$3.0mm
Tampa Ammonia[1]	$330 / MT	$285 / MT	$10.00	+/-	$3.8mm
Illustrative Impact from $10/ton change				+/-	**~$11.6mm**
Natural Gas ($/MMBtu)	$2.79 / MMBtu	$3.00 / 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	12/31/18
Cash	**$ 26.0**
Senior Secured Notes	400.0
Working Capital Revolver ($37.2 mm of availability at 12/31/18)	10.0
Other Debt	30.2
Unamortized Discount and Debt Issuance Costs	(15.0)
Total Long-Term Debt, Including Current Portion, net	**$ 425.2**
Series E and F Redeemable Preferred Stock ($212.1 million liquidation preference including accrued dividends)	**202.2**
Total Stockholders' Equity	**$ 342.2**
Total Liquidity (Cash plus ABL availability)	**$ 63.2**

Key Information:

Senior Secured Notes
- $400 million at 9.625%
- Due May 2023

Redeemable Preferred Stock
- $212 million at 14%
- Callable at par
- First put date October 2023

Working Capital Revolver
- $50 million (Prime + 50 bps)
- Expires January 2022

Free Cash Flow

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$ In Millions	Twelve Months Ended December 31, 2018	2017	Change
Net Cash provided by Continuing Operating Activities	**$ 17.6**	**$ 2.3**	**$ 15.3**
Capital expenditures for property, plant & equipment	(37.0)	(35.4)	(1.6)
Net proceeds from sale of a business and other property and equipment	6.7	23.8	(17.2)
Free Cash Flow from Operations and Investing[1]	**$ (12.8)**	**$ (9.3)**	**$ (3.5)**
Proceeds from revolving debt facility	10.0	-	10.0
Proceeds from 9.625% senior secured notes, net of discount and fees	390.5	-	390.5
Payments on senior secured notes	(375.0)	-	(375.0)
Debt-related costs	(13.8)	-	(13.8)
Net payments of debt, short-term financing, and other	(11.2)	(16.1)	4.9
Net cash provided (used) by financing	0.5	(16.1)	16.6
Net cash used by discontinued operations	0.0	(1.7)	1.7
Other[2]	4.6	0.7	4.0
Decrease in Cash and Cash Equivalents	**$ (7.6)**	**$ (26.4)**	**$ 18.8**

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

(2) Other in 2018 primarily includes $2.7 million net proceeds from the release of escrow related to the sale of discontinued operations (NIBE escrow) as well as $1.5 million net proceeds on property insurance recoveries at El Dorado.

2019 Outlook

Sales Volume:		
	Full Year 2019 Sales (tons)	**Full Year 2018 Actual Sales (tons)**
Agriculture:	(includes lost sales related to EDC and Pryor turnarounds)	
UAN	460,000 – 480,000	400,000
HDAN	280,000 – 300,000	284,000
Ammonia	95,000 – 115,000	82,000
Industrial, Mining and Other:		
Ammonia	250,000 – 270,000	238,000
LDAN/HDAN and AN solution	175,000 – 195,000	181,000
Nitric Acid and Other Mixed Acids	100,000 – 120,000	110,000
Sulfuric Acid	130,000 – 150,000	137,000
DEF	15,000 – 25,000	13,000

Operating:		
Ammonia On-Stream Rates:	Average 94% across three plants (excluding turnarounds)	Average 89% across three plants (excluding turnarounds)
Ammonia Production (tons)	820,000 – 840,000	748,000
Turnarounds:	Pryor - 30 days in Q3	Cherokee - 35 days in Q3
	El Dorado - 14 days in Q3	El Dorado - 7 days in Q2 & 5 days in Q3
	Approximately $8 million in turnaround expense (75% planned for third quarter) with appropriate lower production/sales volumes in the third quarter	Approximately $10 million in turnaround expense

2019 Outlook (continued)

Financial (Full Year):	
Variable Plant Expenses:	
Natural gas feedstock costs (on average)	32 – 34 MMBtu/ton of ammonia
Electricity	5.0% – 7.0% of sales
Catalyst expense (burnoff)	1.0% – 2.0% of sales
Freight	7.0% – 9.0% of sales
Other purchased products (primarily Ag Centers)	2.0% – 4.0% of sales
Other expenses	0.5% – 2.5% of sales
Fixed Plant Expenses Including Plant Salary and Wages (Ex-Depreciation) and Operational Initiatives:	$110 million – $120 million
Logistics/Rail Car Lease Expense:	$10 million – $15 million
SG&A:	$30 million – $35 million
Depreciation Expense:	$70 million – $75 million
Interest Expense:	$40 million – $45 million
Total CAPEX:	$30 million – $35 million

Market Outlook

Agricultural

- Based on first quarter presales of UAN and ammonia, we expect a continued trend towards stronger pricing relative to 2018 for the first quarter of 2019.
- Weak Nitrogen fall application should bolster demand in the spring, however continued cold/wet weather in January and February have application off to a slow start.
- U.S. growers expected to increase corn area by 2 million to 4 million acres in place of soybeans
- China's ethanol mandate for 2020 expected to drive recovery in corn pricing
- Corn prices are forecasted to hit $4/bushel by the end of 2019.
- Steeper cost curve outside the US leads to higher product cost and resulting higher selling prices resulting in less imports into the US market

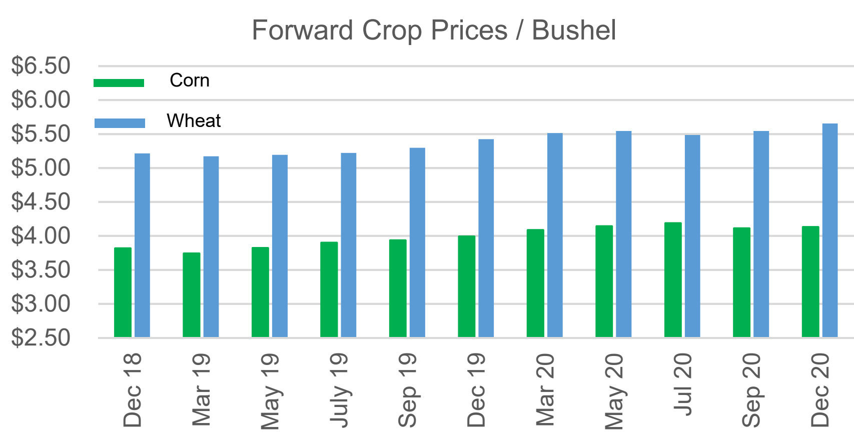
Industrial and Mining

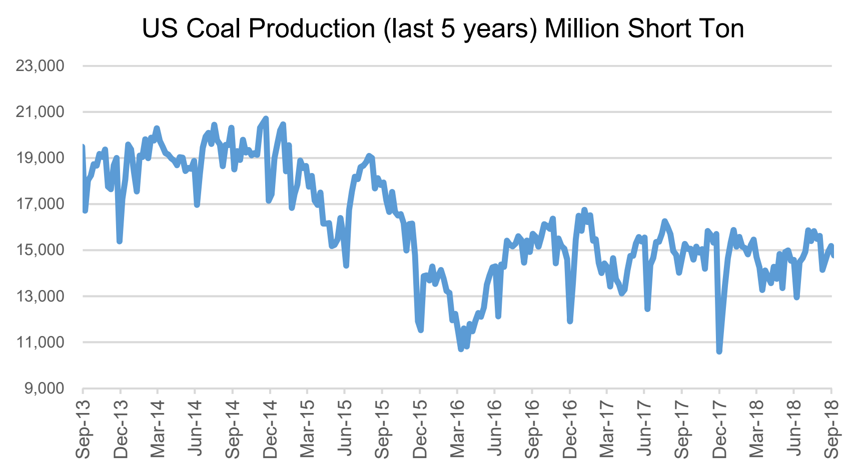
Industrial market:

- According to the American Chemistry Council, the U.S. economic indicators continue to be mostly positive for the housing, automotive, and paper sectors, domestically
- Light vehicle sales are expected to remain at elevated levels over the next several years
- Housing starts could face pressure in 2019-2020

Mining market:

- Coal mining, the largest consuming sector for industrial explosives, is down 3% in 2018 versus 2017 and is expected to decline another 3% in 2019.
- Metal mining accounts for 33% of the market for industrial explosives which is projected to increase 3.1% in 2019
- Production of stone for construction and production of cement for quarrying operations is expected to grow by 3.5% in 2019





Sources: Corn Prices – Barchart 2-10-19 close; Wheat prices – Barchart 2-10-19 close; US Coal Production – eia.gov historical data files

Business Improvement Initiatives

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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

Appendix

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EBITDA Reconciliation

LSB Consolidated ($ In Millions)	Three Months Ended December 31, 2018	2017	Twelve Months Ended December 31, 2018	2017
Net income (loss)	**($13.0)**	**$0.9**	**($72.2)**	**($29.2)**
Plus:				
Interest expense	11.1	9.3	43.1	37.3
Loss on extinguishment of debt	-	-	6.0	-
Depreciation, depletion and amortization	17.3	17.3	72.6	69.2
Provision (benefit) for income taxes	0.8	(30.0)	1.7	(40.8)
Income from discontinued operations	-	(1.1)	-	(1.1)
EBITDA (1)	**$16.1**	**($3.6)**	**$51.2**	**$35.4**
Stock-based compensation	4.1	1.3	8.4	5.2
Severance costs	2.6	-	2.6	-
Derecognition of death benefit accrual	-	-	-	(1.4)
Loss (gain) on sale of a business and other property and equipment	0.3	2.6	(1.6)	7.0
Fair market value adjustment on preferred stock embedded derivatives	(1.3)	-	(1.2)	-
Consulting costs associated with reliability and purchasing initiatives	1.4	0.6	3.8	0.6
Adjusted EBITDA (2)	**$23.2**	**$0.9**	**$63.1**	**$46.8**
EBITDA from businesses sold	-	-	-	(2.6)
Adjusted EBITDA excluding businesses sold in 2017	**$23.2**	**$0.9**	**$63.1**	**$44.3**
Turnaround costs	0.1	0.1	9.8	1.3
Adjusted EBITDA excluding Turnaround costs	**$23.3**	**$1.0**	**$72.9**	**$45.6**

(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 (gain) on sale of a business and other property and equipment, one-time income or fees, certain fair market value adjustments, non-cash stock-based compensation, and consulting costs associated with our 2018 reliability and purchasing initiatives. For comparative purposes, 2017 is also adjusted to remove the impact of businesses sold during 2017. We historically have performed Turnaround activities on an annual basis, however we are moving towards extending Turnarounds to a two or three-year cycle. Rather than being capitalized and amortized over the period of benefit, our accounting policy is to recognize the costs as incurred. Given these Turnarounds are essentially investments that provide benefits over multiple years, they are not reflective of our operating performance in a given year. As a result, we believe it is more meaningful for investors to exclude them from our calculation of adjusted EBITDA used to assess our performance for comparative 2017 has also been adjusted to remove the impact of Turnaround maintenance costs. We believe that the inclusion of supplementary adjustments to EBITDA is appropriate to provide additional information to investors about certain items. The above table provides reconciliations of EBITDA excluding the impact of the supplementary adjustments. Our policy is to adjust for non-cash, non-recurring, non-operating items that are greater than $0.5 million quarterly or cumulatively.

Net Sales Reconciliation

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	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Net sales ($ in millions)				
Agricultural	$40.9	$32.4	$187.2	$184.1
Industrial	42.9	46.5	148.6	196.0
Mining	11.0	10.0	42.4	38.8
Other	-	-	-	8.6
Total net sales	$94.7	$88.9	$378.2	$427.5
Impact of ASC 606 – Industrial	-	(16.6)	-	(65.4)
Revenue from businesses sold in 2017	-	-	-	(8.6)
Total adjusted net sales[1]	$94.7	$72.3	$378.2	$353.5

(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.

Consolidated EBITDA

Sensitivity Analysis (*$ In Millions)*

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Significant Earnings Power at Optimal Operating Rates

Average Tampa Ammonia Price/MT For A Year	Average Natural Gas Price Per MMBTU For A Year: $2.50	$3.00	$3.50	$4.00	$4.50
$450	$226	$214	$202	$190	$178
$400	$194	$182	$170	$158	$146
$350	$162	$150	$138	$126	$114
$300	$130	$118	$106	$ 94	$ 82
$250	$ 98	$ 86	$ 74	$ 62	$ 50
$200	$ 66	$ 54	$ 42	$ 30	$ 17

Note: The model above is only intended to illustrate the relationship between variables. It is not an estimate of operating results for any future period.

Key factors in model above:

- Assumes no turnaround at any facility and related impact from lost production/sales and expenses. Note: Company is on a three-year turnaround cycle, which will include turnarounds in the current fiscal year.
- Tampa Ammonia price assumes average over the full year
- Average ammonia plant on-stream rate of 97%, 95% and 95% at El Dorado, Cherokee and Pryor, respectively (excluding turnaround)
- Assumes that a $50/MT change in ammonia price is equivalent to a $21 per short ton change in UAN price and a $23 per short ton change in AN price
- Minimal growth of mining sales
- No incremental cost savings over previously announced savings

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